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JAPAN'S POSITION IN MANCHURIA

BY

MASAMICHI ROYAMA

Professor of Public Administration, Tokyo Imperial University

A Paper Prepared for the Third Biennial Conference of the Institute of Pacific Relations, Kyoto, 1929

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THE JAPANESE COUNCIL
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PREFACE

This monograph is a result of the research conducted by Prof. Masamichi Royama of the Tokyo Imperial University, and is printed only for the use of the members of the Kyoto Conference.

The questions concerning Manchuria cannot, of course, be treated fully in a brief survey. This is an attempt on the part of the Japanese Council to furnish some data which might contribute to the fruitful discussion of the Manchurian situation. The Japanese Council was fortunate in securing the continued services of Professor Royama, who as a student of international politics is well qualified to present a report on "Japan's Position in Manchuria."

The author alone is responsible for the content. Both he himself and the Japanese Council, however, will appreciate any comments or corrections from the members of the Conference which will enable him to revise and improve this work.

Research Committee,
The Japanese Council,
Institute of Pacific Relations.

October, 1929.

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FOREWORD

The so-called Manchurian problem is a highly complicated one. In order to understand it in all its phases it is necessary to make clear the respective positions of Russia, China and Japan, and to examine the inter-relations of these positions, for herein lies the heart of the Manchurian problem. Since this paper deals only with Japan's position in Manchuria, it is intended to throw light on only one important phase of this complex problem.

With the object making clear the position of Japan and of the Japanese in Manchuria, I have arranged the materials in hand under the following divisions:

1. Japan's historical and geographical relations to Manchuria.
2. Japan's political rights in Manchuria.
3. Japan's economic interests in Manchuria.
4. Japan's cultural achievements in Manchuria.

When I speak of Japan and the Japanese, may I say that for the purposes of this study I have in mind also Korea and the Koreans. It is true that because of the importance of this phase of the question, a separate and independent study should be made of the position occupied by the Koreans in Manchuria. However, the exigencies of time have made it impossible for me to gather the material necessary to present this aspect of the problem. This must therefore be deferred to a later time, or left to some one better qualified to undertake it. This accounts for the comparatively few references to the Koreans in this paper.

The materials for the present investigation have been taken mainly from those already collected by Japanese authorities on Manchurian affairs. Especially do I owe much to the researches published by the Investigation Bureau of the South Manchuria Railway Company, as well as to the work done by a special

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committee on Manchurian questions appointed by the Japanese Council of the Institute of Pacific Relations; without this co-operation it would have been next to impossible for me to write this paper. Although I have made use of this material and of opinions on the problem so far made public, the selection and criticism have been made entirely according to my personal views for which of course I alone am responsible. I may add, however, that I have endeavored to collect as much material as possible and have tried to make the best use of it for the purpose of reaching a correct understanding of the facts, and of making clear, the position occupied by Japan in Manchuria.

Above all this presentation of facts and opinions, there looms the question still as to how the Manchurian problem is to be solved. It is indeed a grave question, but one that is beyond the scope and object of this paper.

I wish to take this opportunity of thanking Mr. S. Komura, Mr. A. Jorgensen, Mr. and Mrs. S. Matsumoto, and Mr. S. Uramatsu for care and labour expended in reading and correcting the manuscript of this paper. Their co-operation was of the greatest value.

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CHAPTER I

GEOGRAPHICAL AND HISTORICAL RELATIONS

1. THE GEOGRAPHICAL COMMENTS ON MANCHURIA

The Location and Territory of Manchuria. Manchuria is located on the north-eastern borders of the Republic of China. To the east and north it borders on Russian Siberia, and to the west on Mongolia and China proper. Korea lies to its southeast, and the Liaotung Bay and the Yellow Sea to the south. The territory spreads from 38° 45' to 53° 30' N. lat., and from 135° 20' to 115° 40' E. long. It covers an area of 382,000 square miles, which is nearly as large as Egypt and about half the area of Mexico.

The territory is generally known to foreigners as "Manchuria",[1] but in China it is commonly called "Tung-San-Hsing," or the Three Eastern Provinces, the name being derived from the fact that the territory is administratively divided into three provinces, Liaoning,[1] Kirin and Heilungkiang. The territory is also divided into "South Manchuria" and "North Manchuria." These names were first employed in Article 3 of the accessory agreement to the Russo-Chinese Treaty of 1898, and later in the Sino-Japanese Treaty. The boundary line between South and North Manchuria is by no means fixed but varies according to a number of considerations. (1) In the first place, some authorities accept the administrative divisions and consider North Manchuria as including the two provinces of Heilungkiang and Kirin, and South Manchuria the province of Liaoning, commonly known as "Mukden," while others include only the province of Heilungkiang in North Manchuria, and place both Kirin and Liaoning in South Manchuria. (2) In the second place, the

1. "Fengtien" Province was renamed "Liaoning" in March of this year.

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boundary is fixed by two rivers, South Manchuria extending from the river Liao on the south, and north to the river Sungari. North Manchuria then lies north of the Sungari. (3) The third method is to accept the railway zones as a basis of division. South Manchuria then includes the territory traversed by the South Manchuria Railway, while North Manchuria includes the section traversed by the Chinese Eastern Railway. (4) Finally commercial interests are accepted as the basis, the section under Japan's commercial influence being called "South Manchuria," while that under Russian commercial influence is described as "North Manchuria." All these standards are, however, used for the sake of convenience, and are naturally subject to change with changing circumstances. It should be noted in this connection that these divisions are not used in China.

Nor are the boundary lines very exact between Manchuria and Inner Mongolia. They may, for example, be drawn in two ways depending on whether or not the territory outside of the long embankment from Kunkchuling going northward to Changchun, is included in Manchuria. Since the region once known as "Chemlimumeng", an old historical division, has long been subject to the actual administration of the provincial governments of Heilungkiang and Liaoning, we may consider that present-day Manchuria includes also the region extending from Tsungliao on the south to Taonan on the north, along the west side of the long embankment.

The Physical and Climatic Features of Manchuria. In its shape, Manchuria is like a winnower, with the Little and Great Khingans mountain ranges on the north-western border and the Changpai mountains on the eastern border; between them is a vast plain which includes the basins of great rivers, like the Nonni, the Sungari, and the Liao. In the north, the Sungari, the Nonni and the Tolaho rivers all flow into the Amur river, while in the south the main waterway is the Liao which flows into the Gulf of Pechili. The territory, amply irrigated by these grand waterways, is generally fertile, with a surface of black, rich soil covering especially the basins of the rivers Nonni and Sungari. This vast fertile plain produces the soya bean, kaoliang (a variety of millet), Bengal grass, wheat, etc. in abundant

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quantities. Most of these rivers are also deep enough for shipping facilities. Along the Sungari and the Liao, for instance, boats can move far into the interior; in fact these two waterways constituted the main arteries of traffic prior to the development of railway transportation.

The greater part of Manchuria lies within the temperate zone. Manchuria is situated in approximately the same latitude as Great Britain, France, Germany and the northern part of Japan, but unlike these countries, its climate is characteristically continental, because of its distance from sea and its nearness to the Mongolian Desert. In winter, that is from October to April, the temperature in the northern part of Manchuria falls as low as 30 to 40 degrees C. below zero, and in the southern part to about degree 20 below. This means that water freezes in houses and of course in the rivers. The severest season in the winter extends from the first ten days of January to the second ten days of February. During the cold season, however, a high atmospheric pressure frequently develops in the Yangtze valley and a low atmospheric pressure in Mongolia, thus bringing warm, southerly winds to the north. This explains a peculiar climatic condition in Manchuria which is often described as "three colds and four warms." When the winter is gone and the spring comes on, the temperature rises rapidly and the whole land is suddenly covered with flowers. During July and August, there is a very heavy rainfall, which in quantity amounts to nearly one half the total annual rainfall of from 500 to 700 millimeters. Although the temperature is high in August, the heat is not so unbearable as in Japan owing to the absence of humidity. In the middle of September cool autumnal weather sets in and by the latter part of the month the first frost visits the interior.

The atmosphere being generally dry and the snow and rainfall slight, the land is frozen over in winter, thus affording good facilities for traffic all over the country. Owing to the frozen condition of the soil there has been considerable development throughout this territory of the type of agriculture which thrives best in cold dry weather and for which there is no need of fertilization. The Japanese who come to Manchuria from

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their native country, where it is warm and damp, generally require three or four years to become acclimatized. The fact that the Japanese did not at first know how to adapt themselves to the new environment or to use the proper methods of farming is said to explain in part why Manchuria did not absorb a larger portion of Japanese farmers.

The Area and the Population. No accurate survey has ever been made of the area of Manchuria, a fact that accounts for the divergences in the records. In 1916, the South Manchuria Railway Company, as a special undertaking of its Research Bureau, made an elaborate investigation into all the available records, and the result is considered to be the most accurate report on the subject that is available.[1] There has however, been an increase in population since the last statistical report, owing to the development of the railway and the increase in immigrants, and a revised report has therefore been found necessary.[2] The accompanying table is the latest information obtainable concerning the area and the population of Manchuria.[3]

Table 1. ESTIMATED POPULATION AND AREA OF MANCHURIA.

Province	Area in square mile (estimated)	Population (estimated as in 1928)	Density per squar mile
Liaoning (Mukden) ...	90,224	13,591,100	151
Kirin	81,018	8,766,800	108
Heilungkiang (Amur)	211,385	5,154,900	24
Tung-San-Hsing(Three Eastern Provinces)...	382,672	27,512,800	72

1 The S.M.R., "The progress of Manchuria and Mongolia as seen from the population, the arable land and agricultural products."

2 The S.M.R., An observation of the development of railways and the population in Manchuria. "(No. 3 of Vol. 9 of the Investigation Gezette).

3 The S.M.R., "Report on Progress in Manchuria, 1907-1928," P. 11.

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2. THE POLITICO-GEOGRAPHICAL ASPECTS OF JAPAN'S RELATION TO MANCHURIA

Japan is a country entirely surrounded by seas. When we observe the politico-geographical processes through which this insular country has come in contact with the Asiatic continent, we shall come to understand the potentiatlities and limits of Japan's relations with Manchuria. Although historically, the relation between the two can be traced back far into the time of antiquity, it became a subject of politico-geography only quite recently.

The expansion of the boundaries of the Empire in all directions began with the Meiji Era in 1868. This territorial expansion became conspicuous in 1875, when Japan included as parts of its domain the Kurile island to the north and the Loochoo islands to the south. This sudden expansion was inspired by the idea of national defence, which in turn found its explanation in Japan in the threatening visits of foreign navies, including that of Russia. The very fact that the extension of Japan's territory in those days was due to considerations of national defence brought about by apprehension of foreign influences, is worthy of special attention. This linking of territorial expansion and the urgency of national defence with fear of foreign aggression, is still found in the psychology of the Japanese people as well as of some Japanese statesmen.

The second expansion came after the Sino-Japanese War in 1895. According to the terms of the treaty with China, Japan obtained Formosa in the south and the Lioatung Peninsula in the north, and three years later, in 1898, she extracted from China the promise that the province of Fukien, opposite the Strait of Formosa should not be ceded to any foreign Power. In this way Japan for the first time established her boundaries on the continent in what might be termed a politico-geographical sense. In a short time, however, she was obliged to withdraw from the continent, owing to the joint intervention of three Powers. In this process of forcing Japan to relinquish the Liaotung Peninsula in spite of the treaty terms, Russia took the initiative.

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By virtue of her subsequent victory over Russia in 1905, Japan entered upon the third period of her territorial expansion. By the terms of the Peace Treaty between Japan and Russia, the southern half of Sakhalin (Karafuto) was ceded to Japan; Korea (Chosen) was made a protectorate; the Chinese province of Kwantung was leased to Japan; and a strip of land along the South Manchuria Railway came under Japanese administration. The Yalu River and the Tuman River, accordingly, became the physical boundary lines of the Japanese Empire on the continent.

The Sino-Japanese Agreement of 1915 gave Japan certain privileges in Eastern Inner Mongolia; she occupied temporarily the Kiaochou Bay and Shantung (1914-1923); in 1919 she sent an expedition to Siberia and for sometime kept under her control the important Maritime Province of Russian Siberia; and a mandate was given to her over the former German colonies in the South Seas. Although Japan later had to restore Shantung and Siberia to their original conditions, these expeditions are significant in that they disclosed the peculiar method by which Japan's boundaries have been extended over neighbouring regions wherever she has come in conflict with other lands that were geographically near.[1]

In every one of these processes of expansion, the chief motive has been to remove an imminent crisis in national defense. Japan's policy, however, was not like the "closed door" policy of Tsarist Russia. On the contrary she has stood for the policy of the "open door" and "equal opportunity," and her actual expansion did not necessarily involve changes in the map. That is to say, the way of expansion in her case did not always mean the aquisition of territorial rights; in some cases it has meant economic expansion effected through economic activities such as the control of railways, navigation of rivers and fishing in the seas. This peculiar circumstance is due to the fact that the expansion of Japan's national frontiers has been made in consideration of national defense on the one hand and of economic interests on the other. In other words, it has

1. K. Haushofer, "Grenzen in ihrer geographischen und politischen Bedeutung," ss. 206-209.

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oeen a method of national defense by economic means. In consequence it is a method that will surely undergo change in the future when the necessity of national defense has been more or less reduced by the adoption of better means of safeguarding international peace, and when a fairer system has been devised for the distribution of such natural resources as food stuffs and raw materials for manufacturing industries which are absolutely necessary for the economic life of any nation. Then, but not until them, will a change in method come.

With this historical background Japan and Manchuria have been coming into an ever closer contact. The distance between them has been greatly reduced by the development of the means of transportation more particularly by the progress of steamship service under Japanese management. The Korean and the Antung-Mukden Railway lines now connect with the South Manchuria Railway. The distance of 1587 miles between Tokyo and Mukden is covered in about seventy hours. Should future negotiations between Japan and China regarding the construction of the Kirin-Huining railway be brought to a successful conclusion through a better display of mutual confidence, the accessibility of Manchuria by way of the Japan Sea will be greatly improved. Recently an air route connecting Japan and Manchuria via Korea was opened tentatively, with a twelve hours schedule between Dairen and Osaka. Telephone connection between Manchuria and Korea was first effected in 1924, between the cities of Mukden and Heijo, followed by connections between Ma churia and various points in Korea in 1928.

The steamship connection between Japan and Manchuria is important not only as an economic activity, but also of course as a system of transportation. The Japanese steamship companies with regular services between Japan and Manchuria are the Nippon Yusen Kaisha, the Osaka Shosen Kaisha, the Dairen Kisen Kaisha, the Kinkai Yusen Kaisha, and the Awa Kyodo Kisen Kaisha. Of these, the Dairen Kisen Kaisha is the only company which has its base in Manchuria. It is financed by the South Manchuria Railway Company and with its 24 ships totalling 57,000 tons, maintains a regular service not only be-

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tween Japan and Manchuria, but also between Korean and Chinese ports. During 1927, the ships which called at Dairen, classified by nationalities were: Japanese 5,115 (8,008,333 tons); Chinese 1,250 (1,001,810 tons); British 337 (921,802 tons); German 187 (690,960 tons); and American 102 (423,622 tons).

3. HISTORICAL DEVELOPMENT OF JAPAN IN RELATION TO MANCHURIA

The history of the diplomatic relations between Japan and Manchuria can be conveniently divided into two periods, the first period ends with the Meiji Restoration, and the second period begins with it. The second period is logically subdivided into two parts by the Russo-Japanese War.

Prior to the Meiji Era. Connections with Manchuria prior to the Meiji Era were very sporadic and mainly through the Korean Peninsula. The first recorded commercial intercourse between Japan and Manchuria dates back to about 727 A.D., and continued for about two hundred year. Manchuria was dominated during those centuries by a kingdom with the historical name "Pechili," with Ninguta as its capital, located in the present Kirin Province. This kingdom was a tributary to China under the Tang Dynasty. It is difficult to discover the reason why this kingdom of Pechili sought intercourse with Japan, but probably it was due to the fact that communication between itself and China proper had been blocked by the uprising of a Tatar tribe, known as "Chitan," as well as to the fact that her ancestors, while they dominated the Korean Peninsula before their retreat to the territory then occupied had had intercourse with Japan.[1] It seems that the line of communication, by land started from Ninguta, passed over the Harbarin Hill to Eastern Chientao, and thence to Lungyuan-Fu, which is on the left bank of the Tuman River near the present Khunchun. The overseas route began at the Posiette Bay moving across the Japan Sea to Japanese ports. The rulers of Japan wished the Pechilians to use Hakata as the port for communications between the two

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countries, but the Pechilians seem not to have heeded this desire.[1]

Apart from the relations with Pechili, there was no other direct friendly intercourse between Japan and Manchuria in those early centuries. The relations which had been established were interrupted when Japan lost her dominant influence over the southern part of the Korean Peninsula and this resulted ultimately in the growth of antagonism between Japan and the Kingdoms which held sway over Manchuria and northern Korea. The Mongol Invasion of Japan in 1265, with a powerful army representing the Yuan Dynasty was brought about by Japan's refusal to recognize the hegemony of the Yuan Court over Korea. The conquest of Korea in 1591 by Hideyoshi, a Japanese miliraty leader was due to the adoption of an oppressive policy in relation to the continent, but it proved entirely fruitless. The motive of Hideyoshi was to establish dominion over Korea in a contest with the Ming Government of China. According to historians,[2] Hideyoshi intended to use Korea as a sort of bridge between Japan and the Liaotung Peninsula. The warfare on the Korean peninsula indirectly brought about the decline and fall of the Ming Dynasty, followed by rebellions in Manchuria and the rise of the Manchu Dynasty. As soon as China was brought under Manchu rule, an order was issued to close Manchuria to exclude the Chinese (as distinguished from the Manchus) and all other aliens from the territory. Koreans were excluded on the eastern border. Under the Manchu administration, Korea still remained as the sole cause of critical relations between Japan and China.

During the Meijji Era up to the Russo-Japanese War. Immediately after the Restoration in 1869, the Meiji Government found Korea a source of grave anxiety, and the determination of policies regarding the peninsular kingdom constituted a problem of great importance for the new Government. The difficulty was not caused by the domestic administration of

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1 The S.M.R., "The past, present and future relations between Japan and Manchuria," P. 24-25; Kunzan Inaba, "The Historical Development of Manchuria," P. 488-491.

2. Kunzan Inaba, "The Historical Development of Manchuria," P. 503.

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Korea, but rather by the competition between Japan and China to establish hegemony over the kingdom and to station troops within its border. The Sino-Japanese Agreement signed at Tientsin in 1884 was nothing but an agreement concerning the withdrawal and the future despatch of troops to Korea. The direct cause of the Sino-Japanese War which broke out in 1894 was the Tonghak rebellion in Korea, but the situation was made grave chiefly by China's violation of the Tientsin Agreement. The war, which broke out in Korea, resulted in a victory for Japan, and in driving the Chinese army back to Manchuria, where it was ultimately overcome by the Japanese army. The Treaty of Shimonoseki concluded the war. By its terms Korea's complete independence was formally recognized by China. China also agreed to cede to Japan the Liaotung Peninsula in the southern part of the province of Fengtien (Mukden), and the islands adjacent thereto. However this provision of the treaty was frustrated by the intervention of the three powers, an episode that turned Japan's face to Russia.

Russia, with her ambitious aggressive policy, was persistently extending her influence to the southeast over Korea, and to the south over the Liaotung Gulf and the Yellow Sea, thereby, making herself a potential disturber of the peace and order of the Far East. However, so long as Russia remained technically faithful to her pledge of maintaining the territorial integrity of China, Japan could not use any of the following facts, even if all of them were known to her at the time, as adequate reason for declaring war against Russia. These facts were the secret treaty between Li Hung-chang and Lobanoff in 1896, an aggressive and defensive alliance between Russia and China which contemplated Japan as the imaginary enemy, and the construction of the Chinese Eastern Railway as a joint enterprise of Russia and China. For as long as Russia maintained her friendship with China, and especially so long as she was faithful to China's territorial integrity, no matter what economic and political relations the former assumed toward the latter, Japan could not justify herself in going so far as to declare war on Russia.

When Russia's Far Eastern policy, finally passed from the

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hands of Witte to those of Muravieff, it became notoriously tainted with an ambition for territorial acquisition. This was particularly noticeable in 1897 when Port Arthur and Dairen were virtually occupied by Russia, and especially when China was forced to conclude the treaty of March 27, 1898. The treaty contained several provisions which were a manifest violation of the underlying principle of the three Powers' intervention and also a bold defiance of the spirit of the secret agreement of 1896. A careful perusal of this Treaty and also of Russia's Imperial Ordinance based upon the Treaty, reveals clearly Russia's secret plan of territorial acquisition in Manchuria. Moreover, the plan was not confined to Manchuria, but extended to the northern frontiers of Korea, jeopardizing Japan's traditional policy of national defence. Japan now found herself in a most critical position among the powers. Against the mighty power of Russia, it was deemed necessary for her to make every possible concession. She proposed an agreement with Russia to recognize the latter's position in Manchurian on condition that Russia should not interfere with Korea. This proposal Russia rejected. Repeated humiliations led Japan to the conclusion that she would be forced to settle the dispute by an appeal to force. In the eyes of Japan therefore the war with Russia was an unavoidable outcome of the Korean problem as it manifested itself in the relations between Japan and Russia.

In this connection, the attitude and the responsibility of contemporary China constitute a problem worthy of careful attention. Not only in Japan, but also in other countries it has often been felt that China was responsible for the Russia-Japanese War and for Japan's consequent management of Manchuria. This is based on the opinion that the war was forced on Japan by the agreement of 1896 between Li Hung-chang and Lobanoff. Those who hold this opinion contend therefore, that China has no right—certainly no moral right—to protest against Japan's management of Manchuria.[1] It must

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1. Jinichi Yano: "Japan's Special Rights and Interests in Manchuria," P. 31-37. A similar view is held by Mr. Bronson Rea, editor-in-chief of the Far Eastern Review—"The Secret Sino-Russian Alliance of 1896" (reprinted in The Japan Times, Oct. 7, 1928).

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be admitted perhaps that this argument concerning China's responsibility for the Russo-Japanese War is more hasty and provocative than convincing.

This much is quite clear, however, that the China of 1896 did unquestionably depend upon Russia for support in maintaining her "territorial integrity." She looked to Russia partly because of her suspicion of Japan as a rising Power in the Far East, and partly because of her distrust of Great Britain and the United States in regard to their declared "neutrality." China, adhering to her traditional diplomatic policy "to set one barbarian nation against another," committed a grave mistake in relying upon Russia's seeming good intentions in regard to the maintenance of her territorial integrity. Li Hung-chang harboured a burning desire for vengence on Japan which led him to accept Russia's "friendship," although the Grand Secretary himself was not wholly blind to the danger involved. After all, those who would accuse China of being responsible for the Russio-Japanese War, must remember that she made the mistake trusting Russia too much and Japan too little, a situation for which Japan is partly responsible in the sense that her attitude to her neighbor was interpreted as a menace.

On the occasion of the Boxer Uprising in 1900, Russia took off her mask of "friendship," and sent a large army into Manchuria for the express purpose of turning the territory into a protectorate. Although these actions on the part of Russia were taken in connection with a change of ministries, Russia's ambition to make Manchuria a protectorate had been obvious for some time to any observer of events. China naturally found that Russia's demands were outrageous and also that such demands, when accepted by China, would cause a serious change in the international situation. But in spite of this China did not listen to the suggestion of the other Powers headed by Japan and Great Britain. At first she tried to moderate Russia's demands by suggesting the danger of intervention by these countries, but eventually she yielded. China really wanted to reject Russia's demands since they were contrary to the previously concluded agreement but she could not do so on account of Li Hung-chang's pro-Russian policy, a policy he adhered to

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tenaciously in order to ward off the influence of Japan and Great Britain. Under such circumstance, it was quite natural that Japan, Great Britain and the United States, especially the former two, should come out to make a protest against Russia's ambitious action in Manchuria. This joint protest bore fruit in the first Treaty of Alliance concluded between these two countries on January 30, 1902. The effect of the Anglo-Japanese Alliance soon became manifest. The Sino-Russian Treaty signed on April 8, of the same year, put an end to the long pending problems growing out of the Boxer troubles. Within one month from the date of the Treaty, it was agreed that Russia should begin the withdrawal of her troops from Manchuria.

After we have thus carefully followed the course of events that led up to the outbreak of the Russo-Japanese War, we begin to understand, in the light of Li Hung-chang's pro-Russian policy, China's proper share of responsibility for that great conflict. After the death of Li Hung-chang in 1901, China began to detach herself from Russian influence and to rely more upon Great Britain and the United States. More light was now thrown upon the cause of the Russo-Japanese war, when Russia, on April 18, 1902, ten days after the Treaty just referred to, presented to China further conditions of the withdrawal of her troops from Manchuria. This new action on the part of Russia was the logical result of the aggressive policy advocated by Bezobrazoff and his party and displayed an apparent intention to occupy Manchuria permanently. As this demand was utterly inconsistent with the treaty, China was under no obligation to accede. However, since China appeared to yield to the demand, Japan felt obliged to undertake direct negotiations with Russia on the subject. The consequent failure of these negotiations led to war. It was not because China's attitude at this stage of the relationships was purposely designed to bring on conflict between Japan and Russia, but was simply the result of her powerlessness to reject Russia's unreasonable demand, made in open denial of treaty obligations.

Japan's Post-war Position in Manchuria. As a result of the War the tables were turned in favor of Japan in Man-

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churia. She came into complete possession of the rights and interests in South Manchuria which Russia had been trying to obtain in the pre-war period. These were as follows: Korea was made a protectorate; a lease was secured over the province of Kwantung; the South Manchuria Railway was transferred to Japan's management; the southern half of Sakhalin was ceded to Japan. Given these right and interests, Japan gained a new strength, which she conceived to be absolutely necessary for the maintenance of peace in the Far East. In the same light, the annexation of Korea is to be explained. The annexation was not exactly justiable according to an extended interpretation of the terms of the Treaty of Portsmouth and other treaties, but was absolutely inevitable inasmuch as no other alternative could be found to put an end to the disturbed condition of Korea. A similar explanation might be applied to Japan's policy with respect to Manchuria as embodied in the commonly but erroneously designated the "Twenty-one demands" of 1915, whereby among other things she demanded an extension of the terms of the Kwantung lease and of the South Manchuria Railway management. Japan viewed the substance of such demands as essential to the peace of the Far East.

From a consideration of this historical background, it is evident that Japan could not consolidate her position in Manchuria according to her own wishes, and regardless of the interests of other countries concerned. The matter was not so simple. After the war with Russia, Japan sought to maintain and strengthen her position by pursuing a policy with a threefold emphasis. The first of these was constant advocacy of the principle of the "open door" and "equal opportunity." The fact that Russia, in her actions in Manchuria, had carefully violated this principle, was pointed out in Japan's declaration of war against her. Consequently it was necessary for Japan in her turn to act upon the principle which she urged upon Russia. If the words "open door" mean, as first used in John Hay's proposal, no discriminative treatment against a third party, at the same time recognizing certain special rights and interests guaranteed to any one power by legitimate treaty arrangements, and if the words "equal opportunity" denote a principle ap-

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plicable to commercial opportunities, then Japan has from the very beginning been faithful to this principle. If however, the principle comes to be construed so broadly as to be inconsistent with the rights and interests clearly established by treaties, then obviously Japan's rights and interests in Manchuria, as well as those of other Power's in China, at once become inconsistent with the principle of the "open door." As a matter of fact, when during the World War, Japan's demands in regard to Manchuria moved a step beyond their status following the Russo-Japanese War, the definition of the "open door" was naturally given a much wider significance than that given it by the Americans and others. These new conditions, to a certain extent, were recognized and confirmed at the Washington Conference of 1921. In other words, an enlarged interpretation of the principle of the "open door" has in general been accepted. For practical purposes a compromise was reached to the effect that existing interests arising from the rights already obtained by any power should be respected. Presumably such compromise between abstract principles and actual rights and interests will be repeated from time to time, and it is to be hoped that as a result of such compromises finer adjustments in international relations will be achieved.

The second policy pursued by Japan for the purpose of persuading other Powers to recognize and respect her position in Manchuria, was to make agreements or ententes at every favorable opportunity with the Powers considered more or less interested in Manchuria. One of the objects of the Second Anglo-Japanese Alliance of August 12, 1905 was, as stated in the Preamble: "(c) The maintenance of the territorial rights of the High Contracting Parties in the regions of Eastern Asia and of India, and the defense of their special interests in the said regions." In the Preamble to the Third Anglo-Japanese Alliance of July 13, 1911, exactly the same clause was inserted.

Japan also made agreements on several occasions with Russia. In Article 1 of the First Russo-Japanese Agreement of July 30, 1907, each of the High Contracting Parties promised to "respect the actual territorial integrity of the other." America's proposal for the neutralization of the railways in

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Manchuria was the occasion for the Second Russo-Japanese Agreement of July 4, 1910: in Article 1, the High Contracting Parties agreed upon mutual friendly co-operation in respect to the improvement of each others railways in Manchuria as well as in the arrangement of better railway connections; in Article 2, they agreed upon the maintenance of the status quo in Manchuria which is based upon all the treaties and agreements concluded between the two countries and China; in Article 3, they agreed that whenever the status quo seemed jeopardized, they would negotiate between themselves for the purpose of taking necessary steps to maintain the said status quo. The third agreement with Russia was concluded on July 3, 1916, during the World War, when Japan's position in the Far East was developing advantageously. In Article 1, Japan and Russia agreed that neither of them would become a party to an agreement or political combination directed against the other. In Article 2, the two countries agreed that when either party's territorial rights or special rights and interests in the Far East, recognized as such by the other party to the Agreement, were jeopardized under whatever circumstances, they would negotiate between themselves in order to take the necessary steps to protect and safeguard the said rights and interests.

In a similar manner Japan made an agreement with France on June 10, 1907, concerning "Regions in China adjacent to territory in which either party to the Agreement has sovereignty, protectorate or occupation." Desiring to maintain peace and order in such regions, as well as each others position and territorial rights, they agreed to support each other for the safeguarding of peace and security in such regions. The Ishii-Lansing Pact of 1917 was also an understanding given by the American Government regarding Japan's position in Manchuria.

On the termination of the European War, all these individual or separate agreements, concluded between Japan and other countries, being legacies of the realistic diplomacy of the 19th century, were swept away or modified as the result of the new international balances of power in China which emerged after the Great War. Particularly on account of America's advent in the Pacific and of the success of the revolutionary movement

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in China some readjustment was considered necessary. This was accomplished at the Washington Conference of 1921. The Nine-Power Treaty, to which all the countries interested in China, as well as China herself on some points, were parties, was symbolical of a new epoch in the history of Pacific relations. The extent to which the underlying principles and decisions of this Treaty brought about changes in Japan's rights and interests in Manchuria is now a fact well known to the world. When such multilateral international treaties, to which the Anti-War Pact has now been added, replace the more local or separate agreements, it will be very necessary to consider means of developing a proper organization for their full enforcement in order that international relations in the Pacific in general, and in the restless regions in particular, may be regulated and adjusted in harmony with the provisions and intent of these more comprehensive agreements.

The third policy adopted by Japan, though mentioned last is by no means least, has reference to her diplomatic dealing with China. In regard to Manchuria, China's sovereignty was limited by the treaty which conceded several rights to Japan. In the work of reconstruction in Manchuria following the Russo-Japanese War, it is only natural that Japan should have depended upon the co-operation of the Chinese Government, especially since China now for the first time included Manchuria within her own administrative domains. What has been the policy of Japan during these years? It cannot be described as invariably an open and above board policy. It must be acknowledged that in order to achieve her own purposes, Japan has sometimes supported this party in China and sometime that, on some occasions ignoring the central government and carrying on negotiations with regional governments. It is only fair, however, to take into consideration the fact that the Central government has not been firmly established and therefore not strong enough to exercise administrative authority over the whole country. In some cases the relations between the Central government and a regional government like that of Manchuria, have not been clearly defined. In other words, sovereignty in China has been incomplete in organization as well as function. Now keeping

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this in mind and recalling the sincerity of Japan's traditional policy, the fact remains undeniable that in her diplomatic dealings with China, so far as Manchuria is concerned, Japan's progress has been characterized by her sole desire to strengthen and enlarge her own position, disregarding often its psychological effect on the people of China. The Sino-Japanese negotiations in 1915, embodied in the so-called "Twenty-one Demands," illustrate this in a striking manner. Any fair-minded Japanese, willing to take a wider view of the proper relations between the two nations, would scarcely hesitate to describe his country's diplomacy in this matter as a "blunder."

Granting that the means which Japan employed for the purpose of acquiring treaty rights in Manchuria, were in some respects regrettable, the Japanese people are unanimous in their conviction that these acquired rights are absolutely necessary in order to maintain Japan's position in Manchuria. However, in presenting and declaring this conviction and demand to China, the Japanese Government and people, have not always been guided by one fixed principle throughout, irrespective of changes in the persons who were the real masters of Manchuria. This, at any rate, has been true until very recently. The "advice" which Japan presented to China in regard to the relations between the Nanking Government and General Chang Hsueh-liang in 1928, was only an expression of her anxiety lest changes in the administrative agencies of the country might have a deleterious effect upon her position in Manchuria.

In recent times there have been many fundamental changes in the outward situation of Manchuria. These changes will almost certainly have far-reaching consequences. One of these was the unforunate death of Marshal Chang Tso-lin. Another was the extension of the Nationalist power over Manchuria. The latest was China's action in connection with the Chinese Eastern Railway in North Manchuria. All these events, taken together, seem to indicate that it will be impossible for Japan to achieve success in her diplomatic dealings with China regarding Manchuria, should she in practice, even though not in form, adhere to her past policies. Under the new circumstances, a new principle and technique will be required to regulate the

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relations between Japan and Manchuria in future. The fundamental idea of diplomatic dealings regarding Manchuria must be harmony in the relations of Japan with China as well as in the wider relations of the Pacific area, and full recognition of the fact that Manchuria is a part of united China. Most important of all is the promotion of amicable feelings between China and Japan, for without this, it will be the more difficult to settle the somewhat strained relations between them regarding the Manchuria situation.

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CHAPTER II.

POLITICAL RIGHTS

1. DEFINITION OF TERMS

The preceding chapter gave a brief historical sketch of the international relations between China and Japan. It is now in order to make clear the kind of "political rights" Japan holds in Manchuria. Any discussion of this subject of political rights, however, will be clarified by a few preliminary remarks on the meaning of the word "political." These rights are designated as "political," not so much because they are political or public in their nature, as because the methods of their acquisition were "political." That is, these rights have been acquired either as the result of special treaties or through the application of the rules of international law, and the parties to the transference of these rights were not individuals, but states. Though the original transfer was a transaction between states, the actual execution of these rights is not necessarily a governmental function, but may be entrusted to a private company. Usually some vital interests accompany these rights, though this is not always the case. Secondly, "rights" should be distinguished from "interests," since the two words are quite often confused in international politics. According to Dr. Matsubara, who supports his opinion with several quotations from authorities on the subject,[1] an interest is an advantage *in posse,* and naturally it may or it may not be a right. It is a right if it is recognized legally as the result of a contract or of long performance and becomes a part of the legal relations within a country or between different countries. All rights presuppose interests

(1) Dr. Kazuo Matsubara, Studies in Manchurian Questions, pp. 173-174. Series on Pacific Relations. No. I, published by the Japanese Council of the I.P.R. in 1929.
D. J. Hill, World Organisation, 1911, pp. 61-64.
A. Cocourek, Jural Relations, pp. 104-105.

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either of the present or of the future, and interests are in turn created and protected by rights. Interests are questions of fact; right are questions of law. The present chapter is to deal exclusively with the legal side of Japan's relations to Manchuria.

Whether these rights, together with the interests created and protected by them, are to be regarded as constituting Japan's "special" position in Manchuria—a point of controversy hitherto often debated—is a question that will be discussed, by way of conclusion, after Japan's economic interests and cultural activities in Manchuria have been fully considered in the following chapters.

2. THE ITEMS OF THE POLITICAL RIGHTS HELD BY JAPAN.

For the sake of brevity, we quote only those political rights which Japan alone enjoys in Manchuria, and omit those which are shared equally by other powers through most-favoured-nation clauses. According to Professor J. Shinobu's study, which was made on behalf of the Institute of Pacific Relations, the political rights of Japan in Manchuria can be classified as follows:[1]

1. Lease of Kwantung Province.
   Portsmouth Treaty (1905), Article 5.
   Treaty between Japan and China concerning Manchuria (1905), Article 2.
   Sino-Japanese Treaty (1915), Article 1.
2. Right to establish Japanese Settlements at Antung, Mukden and Yinkow.
   Additional Agreement to the Treaty between Japan and China concerning Manchuria (1905), Article 9.
3. Right to enforce the Promise of Non-Cession of Ports and Island in China.
   Decree of the President, Official Bulletin of the Chinese Government (May 30th, 1905).

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1. "Studies in Manchurian Questions", Series on Pacific Relations, No. 1, published by the Japanese Council of the I. P. R.

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4. Jurisdictional Rights in Manchuria and Mongolia at large.

Commercial Treaty between Japan and China (1896), Articles 21-22.

Sino-Japanese Treaty (1905), Article 5, Clause 2.

Agreement regarding Chientao (July, 1909), Article 4.

5. Right of Priority in the Employment of "Special" Officials. (That the Japanese Government has no intention of instisting upon this right was declared in a statement made by the Japanese delegation at Washington Conference).

Sino-Japanese Treaty (1915), Communication Document, No. E.

Agreement regarding the Chengchiatun affair, (1916).

Agreement concerning the postal services in the attached region of the South Manchurian Railway (1922), in accordance with the resolution of the Washington Conference.

6. Demands regarding Administrative Regulations.

Statements of the Chinese Government regarding Peace and Order in Manchuria, in the minutes of the Sino-Japanese Treaty (1905).

Additional Agreement to the Sino-Japanese Treaty (1905), Article 5.

7. Right to operate the South Manchurian Railway.

Portsmouth Treaty (1905), Article 6.

Russo-Chinese Agreement at Berlin (1896), Article 5-6.

Sino-Japanese Treaty (1915), Article 1, Additional Agreement (1915), Communication Document, No. A.

8. Other rights regarding railroad operation by consignment or on joint management.

Sino-Japanese Agreement regarding the Hsinmin-Mukden railway and the Kirin-Changchun railway (1907).

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The additional agreement to the above Agreement of 1907.

Chientao Agreement (1909), Article 6, regarding the Kirin-Huining railway.

Agreement regarding the Manchurian problems (1907).

Sino-Japanese Treaty (1905), Article 7

Communication Documents concerning the Four Railway Lines in Manchuria and Mongolia (1918).

9. Mining rights and priority rights in negotiations regarding the disposition of mining interests.

   Sino-Japanese Agreement regarding the five Manchurian problems (1909), Article 3.

   Sino-Japanese Treaty (1915), Communication Document, No. C.

10. Right of joint undertaking in forestry and priority in negotiations regarding the disposition of forestry.

    Sino-Japanese Treaty regarding Manchuria (1905), Article 4.

    Sino-Japanese Treaty (1905), Additional Agreement, Article 10.

    Lease contract concerning forestry and mining in Kirin and Heilungkiang Provinces (1918).

11. Rights based on the "accomplished facts" regarding the issuance and circulation of bank-notes.

    Issuance of the army certificates during Russo-Japanese War.

    Circulation of the sight bills issued by the Yokohama Specie Bank.

    Circulation of the bank-notes of the Bank of Korea (prohibited by force in the railroad zone of the Chinese Eastern Railway).

    Sino-Japanese Treaty (1915), Article 7.

    Communication Document regarding four railways in Manchuria and Mongolia (1918).

12. Right to establish post offices.

    Sino-Japanese Agreement (1922) according to the decision of the Washington Conference.

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13. Right to operate telegraph and telephone services.
A cable line between Dairen and Chiefu in accordance with Sino-Japanese Agreement concerning telegraphic service (1909).
Founding of a wireless station at Dairen (1911).
Resolution of the Washington Conference (Dec. 7th, 1921), Clauses 3-4.

14. Rights of holding land leases, of travelling, residing, and conducting business.
Sino-Japanese Treaty (1915), Article 2-3.
The same, Communication Document (1915), No. F.

15. Right to be consulted on matters of police regulations and taxation.
Sino-Japanese Treaty (1915), Article 5, Clause 5.
Communication Document, No. A (1915).
Statements of Japanese Minister Hayashi made to Chinese Foreign Minister Wu. (October 18th, 1916 and January 5th, 1917).

16. Right to station railway guards.
Portsmouth Treaty (1905), Additional Agreement, Article 1.
Sino-Japanese Treaty concerning Manchuria, Additional Agreement, Article 2 (1905).

Of the rights enumerated above, those which the Japanese themselves regard as important are not many. The rest are either unimportant or merely so-called "paper rights." The important ones, (according to Prof. Shinobu), are the following six:[1]

1. Lease of Kwantung Province.
2. Right to operate the South Manchuria Railway and right to station railway guards.
3. Right of management on the commission of special railway lines and operation or construction of rail-

1. "Studies in Manchurian Questions", p. 161, Series on the Pacific Relations, No. 1, published by the Japanese Council of the I.P.R.

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way lines by joint (international) undertaking.

4. Right to undertake certain mining and lumber enterprises.
5. Right to issue and circulate bank notes.
6. Right of free residence in the interior of South Manchuria.

These rights may be divided into three categories according to their nature: (1) Rights of administration in Kwantung Province and in the Railroad Zone, a strip of land along the railway line attached to the South Manchuria Railway; (2) rights that are economic in character, such as rights to operate railroad, mining, and lumber industries, and the right to issue bank-notes, etc; and (3) concessions, and other rights of private law such as the right to travel, the right to reside, and the freedom of enterprise.

We shall now see whether these rights are properly respected and utilized.[1] As to the rights of the second category, however, we shall treat them later in detail.

3. EXERCISE OF THE POLITICAL RIGHT.

a—The Organization of the Japanese Administration in Manchuria.

Formation of the Administrative System. The Japanese administration in Manchuria is confined to the Kwantung Province and the South Manchuria Railway Zone. The establishment of military rule in the territory occupied by Japan during the Russo-Japanese War marked the beginning of the Japanese administration. The Kwantung Province became a leased territory in consequence of the Portsmouth Treaty. When the military administration was abolished in May 1905, the civil administration took its place. And it became operative, when the Office of the Governor-General of the Kwantung Province was established in August, 1906. But for the first thirteen years,

1. As to the existing rights of Japan in Manchuria and Mongolia based on treaties and other public agreements, see also "The Special Position of Japan in Manchuria from an International Standpoint, by A. Abiru, 1928, p. 58-65.

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the office of civil administration was still entangled with the military. The Office of the Governor-General of the Kwantung Province was in charge of military affairs in the Kwantung Province as well as the South Manchuria Railway Zone, and the Governor-General himself had to be a military officer. When the organization of the Office of the Governor-General was revised in April 1919, the Kwantung Military Headquarters was established to take charge of the military administration. The chief of this headquarters was placed under command of the Minister of War, the Chief of the General Staff, and the Inspector-General of Military Education. In this way the military administration in Manchuria at present forms a system independent of the civil administration, and is under the control of the cabinet of the home government through the Minister of War.

At the time of the revision of the organization, the name was also changed to the Kwantung Government. Its authority remained unaltered except for the exclusion of the military administration from under its control. The duties of the government are jurisdiction over the Kwantung Province, the police administration in the South Manchuria Railway Zone, and the business inspection of the South Manchuria Railway Company.

At this point let me say a few words about the police administration exercised outside of the Kwantung Province. Originally there was the police department with the local branches to protect and regulate the railway lines of the South Manchuria Railway Company and to carry on the police administration in the Railway Zone. In addition to this, there was the consular police force which was responsible for the protection and regulation of the Japanese residents under its jurisdiction. Experience demonstrated the inconvenience of having two kinds of police in the same region at the same time. Since 1908 therefore the Japanese consular police force in Manchuria has been assigned to the administrative office of the Kwantung Government, thus bringing the entire police system into the hands of the Kwantung Government.

All the departments of local administration in the Railway Zone except the police are in charge of the South Manchuria Railway Company. The nature of the administrative power is

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defined by the three treaties, (1) the Portsmouth Treaty, (2) the Russo-Chinese Agreement of 1896 respecting the building and control of the Chinese-Eastern Railway, and (3) the Sino-Japanese Treaty of 1905 concerning Manchuria. By the terms of the Agreement of 1896 (Article 5, Clause 3), the company is given absolute and exclusive power of administration over the railway lines and the Railway Zone, including the right of acquisition of the sand, stone, and coal which are required for the building, control and operation of its railway lines. We understand that this administrative power was transferred to Japan by the Portsmouth Treaty and was recognized by China in the Sino-Japanese Treaty concerning Manchuria.

The authority with which the company carries out the administration is given by the Imperial Order of 1906, which imposes on the company the duty to make necessary arrangements for civil engineering, education and sanitation in the Railway Zone, and at the same time grants the power to tax the residents in the Railway Zone for the expenses necessary to carry out these and other arrangements. This Imperial Order was not directed to the public but to the company. There are many foreign nationals, mostly Chinese, among the residents in the Railway Zone. Having regard to this fact, in 1907 the company enacted certain regulations having to do with the residents in the Railway Zone which are based upon the principles of contract. By these regulations, the lines of the administration were laid down and the company secured the authority necessary to enforce its decisions and to tax the residents for public expenses.[1] In the beginning the company invested the regular Japanese consuls with the authority of local administration, but today this is in the hands of its own officials. A consultative body was appointed to advise with the company on behalf of the residents in the Railway Zone, as soon as they were taxed for the public expenses. The appointment of the members of this consultative committee was at first done by the company, but since 1921 it has been done by general election.[2]

1. The Research Bureau of the S.M.R. Co., Past, Present and Future of Japanese-Manchurian Relations, P. 137.
2. The S.M.R., History of Twenty Years of the South Manchuria Company, P. 1051.

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Establishment of the Judicial System. During the Russo-Japanese War, the judicial administration in relation to Japanese subjects in Manchuria was carried out by a military court established according to the laws of the home country, while in relation to the Chinese in the territories occupied by Japan, it was carried out under military regulations specially enacted. This was the beginning of the Japanese judicial administration in Manchuria. When a system of civil rule was established, part of the judicial administration was placed under the jurisdiction of the office of the civil administration, and the Court of the Kwantung Province was set up. After a brief transition period, the Court of the Kwantung Government was established in 1907 and invested with authority to carry out the judicial administration. The Court of the Kwantung Government belongs to the two-court system, with a series of local courts and one higher court. In the beginning, the administration was based partly upon local laws and usages and partly upon the Japanese civil and commercial codes. Since the judicature ordinance of the Kwantung Province was issued in 1909, the laws of Japan have in general been applied. Some simple cases were for a time dealt with by the police authorities, but since 1919 the local courts have taken complete charge, with the exception of registration.

But the judicial cases within the zone of the South Manchuria Railway are under consular jurisdiction in accordance with the provisions of extraterritoriality of the Sino-Japanese Treaty. Within the limits of Japanese jurisdiction, however, special regulations are allowed for Manchuria, and for the more serious crimes preliminary examinations are made and appeals against the decisions of the consular courts are carried to the Higher Court of Kwantung.[1]

b—Administration of Kwantung Province.

Jurisdiction and Local Administrative System. Kwantung Province is situated at the southern most extremity of the Liaotung Peninsula. Its strategical position together with its hinter-

1. An item regarding Consulate Courts in Manchuria, 1905, "The Statute." No. 52.

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land of limitless economic resources to the north, gives it a significance out of all proportion to its area of only 1,300 square miles. A Chinese delegate at the Washington Conference described it aptly as a *point d'appui*. The administration of Kwantung Province constitutes one of the three major fields of Japanese activities in Manchuria, the other two being the administration of the South Manchuria Railway Zone, and the economic activities of the South Manchuria Railway Company. In appreciating the results of Japan's administrative activities, it is not sufficient to take into account only the efficiency of the administration. We must not forget to study its cultural achievements if there are any. The crux of the matter is, what has the Japanese administration done, and what is it now doing, to maintain peace and order and to better the lot of the Chinese people as well as the Japanese residents. In a favourable answer to this question lies the only justification of imperialism.

To begin with, let us glance at the local administrative system in Manchuria. This system has two general divisions, municipal administration and village (*hui*) administration. The former was set up in 1915 in Dairen and Ryojun (Port Arthur).

In the beginning, one half the members of a municipal council were officially appointed while the other half were selected from citizens at large by the appointed councilors. This was, of course, not a system of self-government in any proper sense of the word.

In 1912 this form of government in the municipality of Dairen was improved by the adoption of a system of general elections. Since 1914 both in Dairen and Ryojun (Port Arthur), the system of general election has become a rule for the municipal council so far as the Japanese residents are concerned. The methods of appointment still remains for the Chinese, there being now seven Chinese city councilors for Dairen and two for Ryojun (Port Arthur).

In view of this situation, it is appropriate to raise a question. While the Japanese in these cities have thus attained the right of self-government to almost the same degree as residents of Japan proper, what of the situation in which the Chinese find themselves? They constitute more than half the population

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of the city and yet they cannot elect their own representative to the municipal council. If we are told that such an abnormal condition is due to the delicate situation of a concession in foreign territory, we can only reply that for the sake of our mutual welfare and for the realization of better co-operation between the Chinese and the Japanese in the economic and cultural development of the city, it is absolutely necessary to devise a system whereby the Chinese may be able to reflect their interests and idea directly in the municipal administration. Only by such means can they truly co-operate in public services and activities.

The present organization of the "village" as a unit of local administration has its origin in the local administrative usage prevalent in the time of the Manchu Dynasty. At first the administration of villages was carried out by the village masters, who relied entirely upon old usages, with the help and supervision of the police authorities. In 1919 when a set of new rules for village administration was made public, the village government became an auxiliary part of the Kwantung government. The village master was now made executive of the quasi-self-governing body, and the heads of the *chieh* and *tun* two kinds of village subdivisions, were ordered to co-operate with the village master in the administration of the subdivisions. To develop this village organization into a real self-governing institution, was the task imposed upon the Provincial Government. For some years, the government did practically everything within its power to educate and train the villagers in the matter of self-government. Apparently the work was not entirely in vain for finally in September 1925, the Village Administrative Regulations, which recognized the corporate right of the village, was promulgated. An advisory council was or-

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ganized to help the village master, and the power to levy village taxes was legally granted to the village. In order to realize the aims of self-government in the villages, however, it seems quite necessary to effect a more complete democratization of the village government, either by making the village council entirely elective or by giving the power of choosing the village master to the council or to the villagers.

Generally speaking, the local administration of Kwantung Province, both in municipalities and in villages, has made notable advancement. In comparison with the situation before the Russo-Japanese War, when there was no self-government whatever, its present status is indeed a complete change for the better.

Yet, when measured by the standard of self-government reached in Japan and in other advanced countries, it is undeniably backward, especially in the limited range of municipal and village administration. This situation is due mainly to the reluctance on the part of the Provincial Government, and more specifically of its department of police administration, in handing over to self-governing bodies the local administrative functions that naturally belong to them. With reference to village administration in particular, we have a right to expect that in the near future progress will be made in giving villagers the right to choose their own principal administrative agencies.

Function and Organization of the Provincial Government. The central organs of administration in Kwantung Province are the governor, the secretariat, the Bureau of Home Affairs, the Police Bureau and the Finance Bureau. As auxiliary organs, there are the Courts of Justice, the Procurator's Office, the Bureau of Communication, the Marine Bureau, the prisons, the schools, the experimental stations, etc. They may be tabulated as follows:

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- Governor of the Kwantung Government
  - Governor's Secretariat
    - Private Secretaries Section
    - Ordinary Secretary Section
    - Foreign Affairs Section
    - Board of Councilors
  - Central Bureau
    - Home Affairs Bureau .....
      - Local Administration Section
      - Education Section
      - Industrial Affairs Section
      - Civil Engineering Section
    - Police Administration Bureau .....
      - Police Affairs Section
      - Peace Preservation Section
      - Sanitation Section
    - Finance Bureau ...
      - Accounts Section
      - Finance Section
  - Local Offices
    - Local Administration Office .....
      - Branch Offices
      - Primary School
      - School for Natives
    - Local Police Office — Branch Police Offices
  - Affiliated Offices
    - Courts of Justice...
      - High Court
        - Court of Cessation
        - Court of Appeal
      - District Court
    - Procurator's Office
      - Procurator's Office for District Courts
      - Procurator's Office for High Courts
    - Prisons ..... — Branch Prisons
    - Communication Bureau .....
      - Post Offices
        - Branch Post Offices
        - Telephone Stations
        - Telegraph Stations
      - Telephone Offices
      - Telegraph Offices
    - Marine Bureau ... — Branch Marine Bureau
    - Schools .....
      - Port Arthur Engineering College
      - Middle Schools
      - Girl's High Schools
      - Normal School (for natives)
      - Agricultural School (for natives)
      - Police Training School
    - Meteological Observatorv
    - Temporary Land Investigation Office
    - Museums
    - Government Hospitals .....
      - Port Arthur Hospital
      - Port Arthur Women's Hospital
      - Port Arthur Hospital for Infectious Diseases
      - Dairen Hospital for Infectious Diseases
    - Experimental Station .....
      - Agriculture
      - Sericulture
      - Stud Farm
      - Aquatic Products
    - Exchanges (products, currency, etc.)

As the functions of the Kwantung Government are much the same as those of an ordinary government, they require no special description. It may be pointed out however that the two main features of governmental activities are the maintenance of order and the improvement of educational equipment. There is also a recent tendency to promote industries of various kinds.

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The relative importance of these administrative activities can be roughly estimated by the figures for these various activities in the budget of 1928-1929. Leaving out the revenues and expenditures of the governmental enterprises, the figures of which are undoubtedly the largest in the budget, the expenditure for police administration amounts to ¥4,079,815, and for educational activities to ¥2,269,563.

As to the money spent for the encouragement of industry, it is rather difficult to ascertain the exact amount. We know that there is an item "encouragement of industry" in the central budget, which totals ¥305,230, and a similar item in the local budget, which amounts to ¥106,378. These two make about ¥410,000. This, however, is not the whole amount spent for industrial encouragement. We must also take into consideration the personnel expenses and the equipment expenses, which are included in the general running expenses of the Central Office of the Kwantung Government. At any rate, the growing importance of these three fields of administration is obvious.

Finance and Taxation System. The financial organization of the Kwantung Government, under the civil administration, has been based on a system of special accounts, and expenses have been met by direct revenues collected in the province, as well as by subsidies from the home government. Because of the fact that the police function of the Kwantung Government extends far beyond its territorial boundary, the expenditure naturally exceeds the revenue. In 1907 the revenue was 36% of the expenditure. The situation, however, has gradually improved until in 1927 the percentage was 72%. Accordingly subsidies from the home government to the budget of the Provincial Government has decreased from 87% in 1907 to 23% in 1927. This yearly subsidy has now decreased to the amounts varying from two million to four million yen. This sum is approximately the difference between the nine million yen interest on the government shares of the South Manchuria Railway Company (4.3% interest on 220,000,000 yen of investment) and the six million yen interest on foreign loans of

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the Railway Company guaranteed by the government.[1] The home government is therefore spending in the Kwantung Province about what it gets from its investment in the South Manchuria Railway.

Changes in the totals of expenditures and receipts of the Provincial Government, are as follows: in 1907 receipts were 4,273,472 yen and in 1926 19,022,043 yen, while expenditures were 3,451,487 yen in 1907 and 14,580,726 yen in 1926. Receipts increased by 450% and expenditures by 400%. The following table shows incomes, expenditures and subsidies since the civil administration of Kwantung Province was established.

Table 2. AMOUNT OF ANNUAL INCOME AND EXPENDITURE OF KWANTUNG GOVERNMENT.

Year	Income				Expenditure	% of Rev. in relation to Exp.	% of Sub. in relation to Exp.
	Revenue	Subsidy	Amount Carried Forward	Total			
1907	1,273,472	3,000,000		4,273,472	3,451,487	.36	.87
1908	1,418,095	3,120,000	821,985	5,360,079	4,231,640	.33	.73
1909	1,555,966	2,964,000	1,128,438	5,681,404	4,617,689	.33	.64
1910	1,996,288	3,615,416	1,030,715	6,642,419	5,771,335	.34	.62
1911	2,089,595	3,691,747	871,083	6,652,425	5,499,296	.38	.67
1912	1,887,141	3,122,500	1,153,129	6,162,770	5,359,503	.35	.58
1913	2,387,688	2,347,800	803,267	5,538,755	4,429,252	.53	.53
1914	2,147,590	2,233,000	1,109,503	5,490,093	4,116,898	.52	.54
1915	2,253,263	1,937,000	1,372,195	5,563,458	4,118,924	.54	.47
1916	2,828,866	2,007,000	1,444,534	6,208,400	4,208,003	.67	.47
1917	3,645,827	2,007,000	2,072,397	7,725,224	4,612,985	.79	.45
1918	4,648,321	2,103,203	3,112,239	9,863,762	6,895,853	.67	.30
1919	6,490,802	3,000,000	2,967,908	12,458,710	9,531,725	.67	.31
1920	8,047,295	3,250,000	2,926,985	14,224,280	11,705,727	.67	.27
1921	10,285,287	4,000,000	2,518,553	16,803,840	13,792,789	.74	.29
1922	12,032,925	4,300,000	3,011,051	19,343,976	15,217,555	.79	.28
1923	10,973,307	4,000,000	4,126,418	19,099,725	15,603,904	.70	.25
1924	11,221,436	4,000,000	3,495,811	18,717,249	15,237,571	.73	.23
1925	10,468,046	3,000,000	3,478,673	17,947,722	14,036,414	.74	.25
1926	12,110,735	3,000,000	3,911,308	19,022,043	14,580,726	.89	.20
1927	12,318,842	4,000,000	4,441,316	22,201,605	16,935,029	.72	.23

1. Y. Shinozaki, Financial Conditions in Manchuria of To-day, vol. II., p. 428.

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In recent years the revenues from taxes of the Kwantung Province have been about 3,700,000 yen for the central government and about 1,900,000 yen for the local governments. The varieties of taxes giving these revenues are for the Central Government (1) land tax, (2) salt tax, (3) income tax, (4) tax on exchange business, (5) trade tax, (6) liquor tax, and (7) tabacco tax; and for local revenue there are the business tax and miscellaneous taxes. The following table shows the amount of these tax collections since the beginning of the Kwantung administration.

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Table 3. TAX REVENUES OF KWANTUNG PROVINCE.

Year	Central Revenue								Local Revenue		
	Land Tax	Salt Tax	Income Tax	Business Tax on Exchange	Trade Tax	Liquor Tax	Tobacco Tax	Total	Business Tax	Miscellaneous Taxes	Total
1907.....	105,186	47,104						152,290	157,371	123,931	281,302
1908.....	105,012	90,155						195,167	178,037	126,678	304,715
1909.....	106 213	101,020						207,233	187,948	127,865	315,813
1910.....	106,171	101.022						207,193	184,696	127,582	312,278
1911.....	106,458	160,324						266,782	191,868	123,797	315,665
1912.....	106,516	75,935						182,451	163,290	124,523	287,813
1913.....	107,070	127,034						234,104	170,512	123,173	293,685
1914.....	108,631	134,664						278,354	166,649	132,505	299,154
1915.....	108,935	167,137						276,072	171,183	181,784	352,967
1916.....	109,005	204,353						313,358	190,890	184,444	375,334
1917.....	109,003	230,284						339,287	151,809	195,529	347,338
1918.....	109,015	209,997						319,012	216,438	215,850	477,288
1919.....	163,416	218,534						381,950	227,112	266,236	493,348
1920.....	217,228	198,599	368,382	52,567	175,833			1,012,609	979,338	404,755	1,384,093
1921.....	217,767	164,487	1,829,350	156,127	187,236			2,554,967	1,222,030	423,333	1,645,363
1922.....	217,857	244,300	1,895,288	64,116	188,247	232,878	669,917	3,512,603	1,354,436	430,530	1,784,966
1923.....	216,879	351,718	2,030,631	17,210	109,779	282,626	670,789	3,679,632	1,389,192	409,720	1,798,912
1924.....	217,581	353,392	1,903,074	6,762	99,262	291,168	706,756	3,577,995	1,402,018	407,701	1,809,719
1925.....	217,046	359,438	1,928,775	6,579	119,459	281,553	674,427	3,587,277	1,232,646	441,153	1,674,799
1926.....	217,563	301,621	2,034,060	11,842	115,491	326,798	682,024	3,689,399	1,355,829	511,639	1,867,468
1927.....	216,909	301,017	1,999,139	9,542	89,229	376,593	710,640	3,703,069	1,377,725	573,314	1,951,039

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c—Administartion of the Railroad Zone.

The so-called Railroad Zone is a long narrow strip of land following the main line of the South Manchuria Railway (438 miles), the Antung-Mukden line (161 miles) and other branch lines, making a total mileage of 680. The zone along the railway covers an area of 109 square miles. It runs through the richest and most fertile section of South Manchuria and links up practically all the important cities in the territory. Its administration and management, in spite of its comparatively small area, presents problems of first importance to the South Manchuria Railway Company, and to the Chinese as well as the foreign residents. The responsible body for this important task in administration is not the Kwantung Government, which is but a sort of branch office of the home government, but rather the South Manchuria Railway Company. This is a business organization interested among other things, in profits, a circumstance which gives the administration of the Railroad Zone a character quite different from the official administration of the Kwantung Province.

In order to render an effective administrative service in the railroad zone, the South Manchuria Railway Company has organized a system of special organs under what is called the Local Department. Its organization and functions are as follows:

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- Local Dept. of S. M. R. Co.
  - Section of General Affairs
  - Local Section
    - Management of Railway Zone
    - Public Equipment
    - Land Planning
    - Land and Buildings to Let
  - Civil Engineering Section
  - Section of Construction
  - Dairen Office of Civil Engineering
  - Educational Section
    - School Education
    - Social Education
    - Education of Company Employees
    - Mukden Normal School
    - Middle Schools
    - Libraries
  - Sanitary Section
    - Public Sanitation
    - Sanitation for Company Employees
    - Experimental Bureau of Sanitation
  - Local Offices
    - Wafangtien
    - Tashihchiao
    - Yinkow
    - Anshan
    - Liaoyan
    - Mukden
    - Tiehling
    - Kaiyuan
    - Ssupingkai
    - Kungchuling
    - Changchun
    - Penhsifu
    - Antung

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The expenses of local management and administration are met in three ways:

1. The expenses of establishing institutions of public welfare, and of promoting local industries, are met by the Company.
2. The expenses of maintaining these institutions, being a kind of local expense, are paid out of taxes collected, police, etc.
3. In some localities, the inhabitants cannot afford to pay taxes to meet these demands. In such cases only a very small portion of the public expense is levied in the form of an administrative fee, the rest being paid by the Company.

The money expended by the Company to meet charges under the first category already totals 75,360,000 yen, as the following table shows:

Table 4. AMOUNT PAID BY THE S.M.R. CO. FOR LOCAL PUBLIC EQUIPMENT.

Items	Amount in yen
Hospitals	15,149,151
Schools	13,465,801
Libraries	561,912
Sanitation Depots	711,744
Fire Department Stations	399,342
Sheep Breeding Farms	17,555
Hog Breeding Farms	6,478
Sanitary Research Institute	386,946
Cattle Disease Research Institute	264,141
Museums	7,722
Public Buildings	127,734
Office Buildings	462,103
Buildings to Let	9,379,716
City Lots	31,053,769
Forests	752,073
Machines for Public Works	943,133
Central Experimental Station	890,956
Experimental Farms	566,353
Seed Farms	214,164
Total	75,360,801

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For the second category of expenses, the Company collects taxes and fees. The taxes are of two kinds, household rates and miscellaneous. The items of expenditure amounting to more than 100,000 yen in 1927 were education, civil-engineering, sanitation, police, libraries, and parks. The aggregate amount of these expenditures was 3,900,000 yen. The total amount of revenue collected was 1,130,000 yen, or less than one-third of the expenditure. The deficit, of about 2,840,000 yen, was paid by the Company.

Thus we see that the railroad zone is far from being self-supporting and that the South Manchuria Railway Company is paying the deficit out of its general profit. However, since the Company has a sort of public mission along with its primary object of making profit, it is quite appropriate that it should use part of its profits for the general development of Manchuria. Even from the purely business point of view, such expenditures are highly advisable, for the general development in industry, and the advancement in the standards of the inhabitants are bound to prove valuable assets for the Company.

Some people object to the Company's policy of subsidizing. They maintain that the Company should transfer the whole task of local administration to the Kwantung Government, and confine itself exclusively to profit making. However, this opinion fails in the first place to make clear the difference between the legal nature of the administrative power of the Kwantung Government over the province, and that of the South Manchuria Railway Company over the railroad zone. In the second place those who advocate the change have no evidence to prove that the Kwantung Government would be more efficient than the present system and therefore failed to convince us of the advisability of the proposed reform.

For the present and for the near future, the administration of the railroad zone in Manchuria is confronted with two difficulties. One is that the inhabitants in the railroad zone are, generally speaking, too poor to carry their own local finances. This is a serious economic problem. The other difficulty grows out of the political complications that naturally arise where the administrative jurisdiction of different countries overlap and

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sometimes fail to co-operate.

With these difficulties to cope with, the administration of such an international and inter-racial community requires not only a high degree of efficiency and adaptability to local needs, but also a fair and humane attitude. It goes without saying that a mere transplanting of the administrative codes and techniques from the home country will not suffice. Herein lies the real test of the Japanese administration in Manchuria and if it fails to meet the test, it loses part of its *raison-d'etre* in Manchuria.

d—Right of Land-holding, Trading, and Residence

The legal position of Japanese subjects in the Three Eastern Provinces, outside of the leased land and the railroad zone, differs according to localities, namely, (1) the settlements, (2) the open sections, and (3) the interior. Let us examine their status in these three different territories with regards to the right of landholding, of trading, and of residence.

Settlements. Yinkow, Antung and Mukden are the localities in which Japan has the right to establish exclusive settlements. This right is acknowledged by the Sino-Japanese Treaty concerning Manchuria, which was concluded after the Russo-Japanese War. When the Treaty was concluded, however, the detailed and concrete arrangements for the establishment of settlements were left for later negotiations. In Mukden, no special settlement district was apportioned other than the railroad zone, but in Yinkow and Antung two setlements were established right after the Russo-Japanese War, and placed under the jurisdiction of the Japanese Consulate. Later, when the administrative machinery of the railroad zone was almost completed, the management of these settlements was transferred to the hands of the Local Department of the South Manchuria Railway Company. Today, therefore, these concessions are under conditions similar to those of the railroad zone of the Company.

Open Sections. The open sections or free terrtories in China are the places which are opened voluntarily or by treaty agreements for foreign trade and residence. While open places

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enjoyed by Japan in China proper are the result of the most-favoured-nation clauses in treaties, the open districts in Manchuria are based specifically on the Sino-Japanese treaty made after the Russo-Japanese War. According to the treaty, the Chinese Government opened several cities in Manchuria to trade and residence for foreigners. The cities thus opened were Fenghuangcheng, Liaoyang, Hsinchiatun, Tiehling, Tungkiangtze, Fakumen, (all in Fengtien Province), Changchun, Kirin, Harbin, Ningta, Hunshun, Sansing (all in Kirin Province), Tsitsihar, Hailar, Aigun, Manchuli (all in Heilungkiang Province). Other free territories settled by the Chientao Treaty of 1909 are Lungtsingtsun, Chutzechieh, Towtaokow and Pehtsaokow.

Now these open sections, unlike the settlement districts, are under the jurisdiction of the Chinese authorities, and foreign residents are therefore bound by Chinese laws and administrative regulations especially in the matter of land-holding. Unfortunately there are some ambiguities as to the extent and nature of open places.[1] According to the Chinese definition, which differs widely from that of foreign authorities,[2] only the special districts within a port or town which have already been set apart as foreign concessions, are open places, and quite naturally therefore the status of land leases in the hands of foreigners is most precarious within the supposed open places or free territories outside of the definite concessions.

Interior Land in South Manchuria and East Inner Mongolia. On account of the precarious position of land leases outside of the railroad zone and the concessions, as above explained, Japan deemed it necessary to have an agreement with China in order to make secure the economic position of Japanese

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1. A. Nagao, Problems between Japan and China, 1929. pp. 124-28.
2. Y. Saito, The Nature of Open Places in China according to the Treaty of Rights, "Journal of International Law and Diplomacy," Vol. XXII, No. 7. pp. 48-66. In this article Dr. Saito, an eminent authority on the legal side of the international relations of China, defines the nature and areas of open places as follows: a town or a certain territory which China opened voluntarily or by treaties for foreign trade and residence; and as to the areas of open places, they cover the whole town, not merely a part of it.

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subjects in Manchuria. Thus in 1915 the Sino-Japanese Treaty regarding South Manchuria and East Inner Mongolia was concluded. This treaty recognizes the right of the Japanese subjects to lease land in South Manchuria for the purpose of setting up buildings and other equipment necessary to carry out business, and the right to lease land for agricultural purposes, as well as the right to reside, travel and engage in any business and manufacture of any kind whatsoever in any part of South Manchuria. At the same time, in East Inner Mongolia, the Chinese authorities shall permit the Japanese, so the treaty reads, to engage in joint undertakings with the Chinese in agriculture or in industries incidental thereto.

Thus the Japanese right to lease land in the interior of South Manchuria was recognized, but it was recognized merely on the paper of the Treaty. For, soon after the conclusion of the Treaty, the Chinese government issued an order which aimed at obstructing the enforcement of the treaty right, and which prohibited the Chinese subjects under a heavy penalty to contract leases with the Japanese. Since then, every possible means to obstruct the carrying out of this treaty right of Japan has been practiced by the Chinese authorities.[1] And under the present conditions in China, where the judicial authorities are weak and undependable, the mere aquisition of rights by a treaty hardly means anything of real benefit. This deplorable situation in the international relation between China and Japan still in the relations between China and Japan still remains unsettled, and this is, in substance, the so-called land lease problem in South Manchuria and East Inner Mongolia. The causes of this international entaglement are several. On the part of the Chinese government and the people, there seems to be a state of mind, especially inclined to the repudiation of the diplomatic negotiations of 1915, and particularly antagonistic to the enforcement of lease rights in the interior on the part of the Japanese who still retain the right of extraterritoriality at the same time. On the other hand, the land

1. "Study on Colonization Policies in Manchuria and Mongolia," by M. Kinoshita, Trade Bureau of the Department of Foreign Affairs, 1927. p. 268-272.

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problem in China is still much burdened with the usages of the Middle Ages and is difficult to handle by the mere legalism of the modern world. Uniform regulations and systematic legal manipulations in the modern sense will be almost impossible under the present circumstances. Even among the Japanese now living in Manchuria, there are divergencies of opinion as to the real necessity of immediate enforcement of the lease right recognized by the treaty.

The best remedy seems to be to create good will and trust on both sides and to promote mutual understanding. It is advisable, on the part of the Chinese government, to reform the land institution along the line of modern legalism. It is also necessary, on the part of the Japanese government, to prevent some of her subjects, who are undesirable to the Chinese, from going to Manchuria, and only to encourage the immigration of those respectable persons or groups of persons, who are honest and ready to work hard with sound, definite and practicable projects. They are the right type to contract leases with the Chinese. Indeed it is the joint responsibility of both peoples to improve their mutual relations by eradicating all the irregular and unnatural relations such as extraterritoriality and others.

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CHAPTER III.

THE ECONOMIC INTERESTS

1. A GENERAL SURVEY OF ECONOMIC ?.

The economic interests of Japan in Manchuria, will be presented from two points of view, namely, that of investments and that of commercial activities. Let us first examine the condition of investments.

ECONOMIC INTERESTS IN RELATION TO INVESTMENTS AND INVESTING ACTIVITIES

Present Condition of Investments. The total amount of Japanese investments in Manchuria at the end of the year of 1926 was 1,402,034,658 yen.[1] By comparing this amount with the total sum of Japanese investments abroad, which totals 2,200,000,000 yen, and that of the investments throughout China amounting to about 1,800,000,000 yen, it will be seen that it amounts to 68% of the former and 77% of the latter. It is therefore, obvious that great importance is attached by Japan to her Manchurian investments. The following is an analysis of these investments from the three aspects; (1) the form of the investment, (2) the distribution of investments by type of industry and (3) the sources of the funds invested.[2]

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1. "Conditions of Japanese Investments in Manchuria," The Research Series of the South Manchuria Railway, Vol. 76, P. 4, 1928.
2. The Oriental Economist Year Book, 1929. P. 269.

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Table 5. AMOUNT INVESTED IN RELATION TO THE FORM OF INVESTMENT.

Category			Amount	Items	
A Investment in Loans			171,691,196 (12)	Railway (Transportation	¥ 102,009,945
				Mining & Forestry	65,562,072
				Electricity	1,154,958
				Others	7,964,221
B Investments in Incorporated bodies	a Companies formed under the Japanese Commercial code	1 Companies with main offices in Manchuria	911,757,788 (65)	Transportation ...	663,473,664
				Mannfacture	71,426,601
				Financing trust business	46,343,804
				Trading	40,293,981
				Electricity & Gas	35,570,646
				Banking	20,587,603
				Others	34,061,489
		2 Companies with main offices outside of Manchuria	187,373,665 (13)	Trading	21,269,750
				Transportation ...	11,405,000
				Manufacture	16,966,496
				Banking	86,117,013
				Financing trust business	51,290,406
				Iusurance business	325,000
	b Companies not bound by the Japanese Commercial Code		36,220,476 (3)	Mining	11,650,000
				Lumber trade.....	18,903,000
				Transportation ...	5,095,564
				Electricity	556,912
				Others	15,000
TOTAL			1,135,351,929 (81)		
Investments in Individual Enterprises			94,991,560 (7)	Agriculture and Forestry	4,407,822
				Trading	56,189,256
				Manufacture	17,227,508
				Others	17,166,974
GRAND TOTAL.....			1,402,034,685 (100)		

Notes:

(1) Russian currency in gold and silver counted in. The numbers within parentheses in the "Amount" column indicate the percentages.

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(2) The figures in this table are the actual amounts of Japanese investments excluding other foreign investments.
(3) The amount of investment by the S.M.R. included under transpotation item in the category (1) is the amount invested outside of the company's direct businesses and also is excluding those which overlap with other investments as well as those invested outside of Manchuria and Mongolia.

Table 6. DISTRIBUTION OF INVESTMENT BY INDUSTRIES.

	Industries	Amount (yen)	Percentage
1.	Transportation	781,934,173	56
2.	Agriculture, Mining and Forestry	117,568,103	8
3.	Electricity and Gas	37,282,516	3
4.	Manufactures	105,620,605	7
5.	Financing Trust Business	97,634,210	7
6.	Commerce	117,752,987	8
7.	Banking	106,704,616	8
8.	Others	37,487,475	3
	Total	1,402,034,685	100

Table 7. SOUCES OF FUNDS INVESTED.

Investor	Item		Amount	Percentage
A. South Manchurian Railway Co. (Government shares 217,156,000)			751,570,862	54
	a. Expenditures	593,923,799		
	Railways	225,039,369		
	Harbours	49,783,232		
	Mines	129,127,155		
	Iron-foundry	45,902,286		
	Sanitation	16,247,840		
	Education	14,027,713		
	Others	113,796,204		
	b. Negotiable instruments	52,696,608		
	c. Loans	66,694,032		
	d. Others	38,814,629		
B. Loans by Japanese Government	Capital and Interest		97,743,823	7
C. Private Loans	Capital and Interest		18,239,116	1
D. Enterpries by Corporate Bodies			439,489,323	31
E. Enterprises by Individuals			94,991,560	7
Grand Total			1,402,034,685	100

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According to the forms of investment, as shown in the preceeding table, our Manchurian investments are headed by those in the form of joint-stock companies, that is, 85% of the total. It is naturally so because of the presence of a large joint-stock company like the South Manchuria Railway Co. It is also to be noted that the total of individual enterprises amounts to only 7%. As to the distribution of investments by industries, railway transportation comes first with 56% of the total investments. The reason for this is of course self-evident. Interesting to note also is the fact that banking and commercial investments are about equal, and that the aggregate of agriculture, forestry and mining investments is about the same figure. Finally, looking into the matter from the standpoint of investors, we note that the direct investment of the South Manchuria Railway Co. rises to 54% of the total. The Company has about 307,000,000 yen of paid up capital and about 40,000,000 yen or more in documentary securities with the enterprises of incorporated bodies, amounting to 31% of the total of Japanese investments in Manchuria. The remaining one hundred million yen or so belong to enterprises other than the South Manchuria Railway. The predominant position of the Company as an investor in Manchuria is of course clear.

Tendencies of Investment. Next, let us see what course our investments in Manchuria have followed in the past twenty years so as to arrive at the conditions mentioned above. In this connection statistics are available only on loans and on investments in stock companies.[1] This will, at any rate, give an outline of the tendencies in Japanese investments in Manchuria.

We see from Table 8 that our investment in loans began in 1909 with a railway loan of 320,000 yen. By 1918 it had increased to 82,000,000 yen and in 1926 it reached the total of 149,000,000 yen. If we add deferred interest on the capital it would mount to 170,000,000 yen.

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Table 8. TENDENCIES OF INVESTMENT IN THE FORM OF LOANS.

Years	Railway		Mining & Forestry		Electricity		Others		Total	
	No. of Cases	Amount	No. of Cases	Amount	No. of Cases	Amount	No. of Cases	Amount	No. of Cases	Amount
1909 ...	1	320,000							1	320,000
1912 ...	1	320,000					1	90,000	2	410,000
1916 ...	2	5,320,000	3	2,134,000			2	1,590,000	7	9,044,000
1917 ...	3	11,820,000	7	5,397,000			2	1,590,000	12	18,807,000
1918 ...	5	41,820,000	10	38 397,000	2	235,000	7	2,169,529	24	82,621,529
1919 ...	5	41,820,000	11	39,099,072	3	346,000	17	3,611,998	36	84,877,070
1920 ...	6	73,820,000	11	39,099,072	3	340,000	18	3,711,998	38	116,977,070
1921 ...	6	73,820,000	11	39,099,072	4	481,000	22	4,136,998	43	117,537.070
1022 ...	6	73,820,000	13	40,471,572	6	771,000	26	4,415,725	51	119,478,297
1923 ...	7	81,817,081	13	40,471,572	6	771,000	32	5,208,725	58	128,268,378
1924 ...	9	87,179,526	14	44,394,358	6	771,000	36	5,438,725	65	137,883,609
1925 ...	11	93,479,526	15	45,915,180	6	771,000	50	5,736,424	82	145,902,130
1926 ...	11	93,479,526	16	49,717,816	6	771,000	53	5,870,424	86	149,838,766
Present	10	102,009,945	16	60,562,072	6	1,154,958	42	7,964,221	74	171,691,196

Note: The difference between the amount of 1926 and present shows the interest for delay accumulated in the past. The "number of cases" under "Present" indicates the numbers of loan agreements; otherwise it indicates the numbers of lending.

Investments in the form of ... of incorporated bodies, like investments in loans, were insignificant until the coming of the war boom in 1916. The phenomenal development in this direction, began then. The development was checked for a time, by the crisis which called for readjustment in 1923, particularly after the great earthquake of that year. But the temporary downward tendency caused only a decrease in the rate of profits as is shown below. No serious decreases were registered in the actual number of companies or in the amount of nominal capital. The actual facts as presented in the following table do not justify pessimism as to the future of our investment in

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Manchuria.

Table 9. TENDENCIES OF INVESTMENT IN COMPANIES.

Year	No. of Companies		Nominal Capital		Paid up Capital	
	Actual No.	Index No.	Amount	Index No.	Amount	Index No
1906	6	1	205,105,000	1	105,105,000	1
1907	11	1	205,664,000	1	105,664,000	1
1908	15	1	208,974,000	1	107,323,000	1
1909	21	2	209,540,000	1	107,889,000	1
1910	23	2	209,780,000	1	108,129,000	1
1911	30	3	215,570,500	1	111,950,500	1
1912	44	4	217,598,500	1	123,219,500	1
1913	62	6	225,273,500	1	137,473,500	1
1914	78	7	228,012,040	1	142,798,040	1
1915	105	10	232,832,040	1	150,025,040	1
1916	133	12	251,365,540	1	164,146,540	2
1917	198	18	276,177,640	1	187,091,640	2
1918	315	29	326,683,640	2	225,139,640	2
1919	606	55	562,343,140	3	326,359,140	2
1920	750	68	952,966,140	5	502,325,690	3
1921	795	72	977,056,814	5	517,380,114	5
1922	890	81	972,188,544	5	535,872,594	5
1923	973	88	1,005,902,566	5	554,477,141	5
1924	1,024	93	967,312,566	5	546,725,841	5
1925	1,127	102	962,844,936	5	569,763,274	5
1926	1,203	109	960,841,036	5	586,320,762	6

Note: The index numbers are based on the figures for 1907.

Condition of Profits from Investments. Finally, let us look at the condition of profits from the investments as indicative of economic activities in the relation of investments. The following three tables give interest payments on loan investments on investment in incorporated bodies, and on private investments.

Table 10. RETURNS ON LOAN INVESTMENTS.

Direction	Classification: Interest Paid			Interest Defered		
	Yes	No	Unknown	Yes	No	Unknown
Railway	5	6	0	6	5	0
Mining & Forestry ...	3	12	1	6	4	6
Electricity	1	0	5	3	1	2
Others	19	19	5	12	21	10
Total.....	28	37	11	27	31	18

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Table 11. PROFITS FROM INVESTMENTS IN COMPANIES.

Year		Classification: No. of Companies	Profit: Total yen	Profit: Average yen	Rate of Divident: Total %	Rate of Divident: Average %
1918...	1st half	33	18,346,322	555,949	425.50	12.89
	2nd half	38	17,441,442	458,985	696.10	18.32
1919...	1st half	54	20,399,642	377,771	704.90	13.30
	2nd half	73	22.954,548	314,446	1,412.40	19.99
1920...	1st half	94	28,465,231	302,822	1,002.90	10.78
	2nd half	94	24,963,426	265,568	1,032.90	11.11
1921...	1st half	95	24,810,772	261,166	764.00	8 22
	2nd half	105	25,294,544	240,900	823.90	8.00
1922...	1st half	102	26.344,036	258,275	914.40	9.05
	2nd half	97	24,975.834	257,483	700.30	7.29
1923...	1st half	108	25,881,848	239,647	657.00	6.20
	2nd half	105	25,699,812	244,760	681.50	6.62
1924...	1st half	108	25,533,070	236,417	590.50	5.52
	2nd half	98	24,191,113	246,848	476.70	4.91
1925...	1st half	94	24,700,319	262,769	389.70	4.15
	2nd half	69	23,465,502	340,080	412.80	5.98
1926...	1st half	76	23,968,657	315,377	359.30	4.73
	2nd half	73	24,124,944	330,479	378.80	5.19

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Table 12. PROFITS FROM PRIVATE INVESTMENTS. (in yen)

Localties	Agriculture & Forestry		Commerce		Manufacturing		Others		Total	
	Amount of Transaction	Amount of Profit	Amount of Transacation	Amount of Profit	Amount of Transacation	Amount of Profit	Amount of Transacation	Amount of Profit	Amount of Trausacatioh	Amonnt of Profit
Pulantien	78,650	27,330	51,700	10,300	—	—	38,200	9,300	168,550	46,930
Chinchou	95,430	14,747	37,300	56,700	152,000	15,800	4,400	2,800	624,830	90,047
Pitzowo	—	—	86,400	12,000	—	—	41,200	8,600	127,600	20,600
Wafangtien.....	220,000	44,000	107,500	22,700	—	—	402,000	62,500	729,500	129,200
Tashihchiao	6,490	2,500	113,800	24,400	1,150,000	69,000	67,000	20,600	1,337,290	116,500
Liaoyang.....	39,206	10,220	4,666,400	168,440	216,300	24,840	91,040	35,540	5,012,946	239,040
Anshan	24 755	12,915	733,181	67,541	728,083	29,367	24,741	7,626	1,510,760	117,449
Penchihu.....	—	—	220,280	35,425	83,530	8,151	51,820	9,959	355,630	53,535
Fushun.....	73,000	8,900	2,286,000	415,000	1,739,000	135,000	272,000	33,000	4,370,000	591,900
Mukden	68,000	unknown	29,653,580	unknown	8,050,000	unknown	149,708,100	unknown	187.479,680	unknown
Tiehling	10,974	1 805	2,012,529	13,608	149,669	6,602	—	—	2,173,172	22,015
Kaiyuan	44,520	3,840	1,014,960	182,370	121,900	14,350	—	—	1,181,380	200,560
Changtu	3,025	1,200	123,100	16,180	60,000	6,000	—	—	186,125	23,380
Machungho.....	—	—	3,500	600	—	—	—	—	3,500	600
Chungku	4,200	1,400	—	—	—	—	—	—	4,200	1,400
Ssupingka i.....	48,122	2,887	8,568,210	42,482	682,910	5,463	32,300	1,615	9,331,542	52,447
Kungchuling	5,200	1,500	5,479,020	164,500	—	—	205,800	17,120	5,690,020	183,120
Harbin	—	—	39,109,000	unknown	78,000	unknown	948,000	unknown	40,135,000	unknown
Kilin.....	—	—	1,506,939	unknown	31,700	unknown	337,562	unknown	1,876,201	unknown
Chientao	—	—	439,700	unknown	—	unknown	unknown	unknown	439,700	unknown
Total	721,572	133,244	96,548,799	1,232,246	13,243,092	314,573	152,224,163	208,660	262,737,626	1,888,723

Note: The amounts of transactions as weil as of profits are annual figures and the unit is yen.

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These three tables prove that the general supposition that, Manchuria being a colony, investments of capital there necessarily bring big profits, is wrong. The rate of interest on our investments in Manchuria, except in one or two individual cases, are generally no higher than on similar investments in Japan. Excepting the brief period of the European War, the profits from investments in Manchuria have not been such as would draw capital merely by the operation of natural economic law.[1]

Investments in the form of joint stock enterprises too, aside from those of the South Manchuria Railway Company, have offered no particularly alluring returns.[2] These facts would naturally give rise to the question, as to why Japanese investments in Manchuria do not as a rule bring big profits. The capital which has been invested in Manchuria to the present has not flowed in for higher rates of profit. Limitation in markets, the undeveloped state of the raw materials, defects in management, inadequate banking facilities, etc. may indeed be responsible for the situation to some extent, but when these explanations have been made, the question persists, why does Japan consider her investment in Manchuria so vital? Is it because she has higher hopes for the future, or are there reasons other than those of profit which explain her willingness to invest. The question deserves thoughtful consideration. If it is recalled that Manchuria has become the one region in the whole of China, which offers a promising field for investment in the future, and that because of Japan's investments in the past, the lives of thirty million native people are directly or indirectly enriched, we may conclude that those investments though not highly profitable, have certainly not been fruitless.

ECONOMIC INTERESTS IN RELATION TO COMMERCIAL ACTIVITIES

Foreign Trade of Manchuria. It may be said that trade in Manchuria entered a new phase with the conclusion of the Russo-Japanese War and that the opening of the port of Dairen was the chief factor in this new phase. Until then, Newchwang

1. S.M.R., "Conditions of Investment," P. 15.
2. The same, P. 117.

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was the only free port in Manchuria. It was opened as the result of the Tientsin Treaty in 1858, but owing to its unfavorable location and the backward condition of its hinterland, there was but slight development in Manchurian trade for a long time. After the close of the Russo-Japanese War, however, China having been induced by Japan to open sixteen cities in Manchuria for foreigners and Dairen having been opened as a free port, Manchuria was thrown open to international trade. The amount of foreign trade in Manchuria in 1907 was only 520,000 standard taels. In the next year, however, the amount suddenly doubled and reached 100,690,000 taels. After that, the trade increased steadily year by year and in 1927 it reached 676,940,000 taels. The development is made clear by the following table.

Table 13. GROWTH OF FOREIGN TRADE OF MANCHURIA.

Year	Imports	Exports	Total	Balance
1907	30,685,152	22,042,323	52,727,475	— 8,642,829
1908	53,112,034	47,585,123	100,697,157	— 5,526,911
1909	69,159,331	83,026,018	152,185,349	13,866,687
1910	81,731,940	88,999,422	170,731,362	7,267,482
1911	94,797,846	103,733,492	198,531,338	8,935,646
1912	102,232,018	100,166,041	202,398,059	— 2,065,977
1913	125,683,660	113,041,999	238,725,659	—12,641,661
1914	112,409,981	109,331,936	221,471,917	— 3,078,045
1915	108,111,646	130,084,502	238,196,148	21,972,856
1916	129,555,872	130,807,129	260,363,001	1,251,257
1917	158,562,010	161,120,501	319,682,511	2,558,491
1918	177,219,156	166,856,166	344,075,322	—10,362,990
1919	231,303,593	212,008,762	443,312,355	—19,294,831
1920	205,129,451	225,920,429	431,055,880	20,796,978
1921	218,187,674	234,407,892	452,595,566	16,220,218
1922	196,432,072	274,661,906	471,093,978	78,229,834
1923	207,055,228	293,928,940	500,984,168	86,873,712
1924	200,648,460	269,018,082	469,666,552	68.369,612
1925	244,721,505	312,368,194	557,089,699	67,646,689
1926	276,840,619	370,742,398	647,583,017	93,901,779
1927	268,913,586	408,036,179	676,949,765	139,122,593

Trade Relations of Various Countries. If we look at the foreign trade of Manchuria according to countries, we notice that

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England was originally in the lead. Japan at the time of the Sino-Japanese War had only very little trade, but after the Russo-Japanese War she soon took the lead. The trade activity of the United States in Manchuria which was first noticeable at the time of the European War, has increased, particularly of late. A large quantity of machines and materials for railroad construction are imported into Japan from the United States and then re-exported to Manchuria, but these re-exported goods are not tabulated in the statistics of the Custom House. The trade between Manchuria and other regions of China has always been considerable in quantity, and of late the amount of this inter-provincial trade stands second only to the trade with Japan.

Table 14. AMOUNT OF TRADE ACCORDING TO COUNTRIES.

	Years					
	1908			1927		
Countries	Imports	Exports	Total	Imports	Exports	Total
Great Britain	535.684	355,950	890,634	4,661,460	12,863,955	17,525,415
Hongkong	2,037,838	846,123	2,883,961	10,362,649	4,846,216	15,308,865
India & B. colonies	21,166	5,469	26,635	2,710,814	1,234,692	3,845,506
Total	2,593,688	1,207,542	3,801,230	17,734,923	19.044,863	36,779,786
Denmark	1,584	—	1,584	30,538	53,328	83,866
Japan	13,553,331	16,769,248	30,322,579	99,137,583	102,358,869	201,496,452
Korea	1,140,562	422,524	1,563,086	11,279,184	53,067,426	64,346,610
Total	14,690,893	17,191,772	31,885,665	110,416,767	155,426,295	265,843,062
Russia	7,490,392	10,499,885	17,990,277	21,326,248	66,998,267	88,324,515
U.S.A.	6,774,292	411	6,774,703	17,583,946	10,338,381	27,922,327
Philippins	1,286	—	1,286	54,548	1,655,298	1,709,846
Total	6,775,578	411	6,775,989	17,638,494	11,993,679	29,632,173
Germany	150,905	256	151,161	5,469,093	1,656,907	7,126,000
Belgium	14,584	18,635	33,219	1,727,676	107,806	1,835,482
Netherland	—	—	—	1,210,752	16,435,332	17,646.084
Dutchindia	244,141	2	244,143	1,018,577	4,860,254	5,878,831
Total	244,141	2	244,143	2,229,329	21,295,586	23,524,915
Other Countries	—	278	278	2,981,302	17,552,975	20,534,277
Total	31,964,765	28,918,781	60,883,546	179,554,370	294,129,706	473,684,076
China Proper	21,147,269	18,666,342	39,813,611	89,359,216	113,906.473	153,265,689
Grand Total	53,112,034	47,585,123	100,697,157	263,913,586	408,036,176	676,949,762

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The Manchurian trade of Japan has increased by eight times during the past twenty years. What was only 31,000,000 taels in 1908 became in 1927 a trade of 265,000,000 taels. This enormous increase was partly due, as a matter of course, to the geographical and political relations between Japan and Manchuria, but at the same time it was a natural consequence of the development of the textile industry and crude manufacturing in Japan during the corresponding period. In other words, the situation is a result of the fact that Manchuria, as also China in general, is a market that is specially fitted to the task of absorbing Japanese goods. It is also to be noted that Japan is the biggest buyer of the articles produced in Manchuria. However, as to the future of Japan's relation to Manchuria, it is hardly convincing to draw conclusions solely from what is revealed in the tendencies of the past twenty years.[1] The latest figures on the rate of increase in Manchurian trade puts the United States first, China second, and Japan third. Although Japan ranks first in the total amount of trade with 43%, China is second with 31.1%, and since China's rate of increase is higher than Japan's, the day may come when China will play the leading sole in Manchurian trade.

Content of Japanese-Manchurian Trade. First of all, we find that among the Japanese exports to Manchuria, cotton goods is the only article which amounts to more than ten million taels per year. Other articles figure somewhere around three and four million taels. Among these, many are reshipped goods of American or Indian origin such as hemp sacks, raw cotton, machines and tools, metal ware, rolling stock, etc. If we subtract these from our Japanese export to Manchuria, the total of these exports will be reduced by at least ten percent.[1] The following table shows the total amount of trade passing through the three southern ports, Dairen, Newchwang, and Antung. This is more than eighty percent of the total Manchurian trade.

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1. "Seeking Resources," published by the *Chugci Shogyo Shinpo Sha*, P. 373.
   K. Fujioka, "Look at Manchuria and Mongolia Anew," P. 251.

1. K. Abiru, "What is Manchurian Problem?" P. 27.

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Table 15. VALUE OF GOODS IMPORTED FROM JAPAN THROUGH THE THREE PORTS IN SOUTH MANCHURIA.

Goods	Year 1925	1926	1927
	(Value in 1000 yen)		
Cotton Piece goods	35,143	36,539	33,002
Woollen Goods and Wool Cotton Unions	925	761	1,023
Cotton Yarn	5,721	3,634	2,512
Cotton, Raw	1,461	2,751	3,280
Clothing and Accessories	1,660	2,359	2,356
Flour	3,151	4,668	1,254
Fruit	1,039	1,613	1,325
Sugar	2,108	2,265	1,957
Marine Products	955	1,455	1,414
Other Provisions	1,198	1,632	1,925
Liquor and Other Beverages	1,187	1,672	1,675
Chemical Products and Medicines	1,955	2,002	2,703
Iron and Steel	3,575	3,792	4,473
Other Metals and Minerals	1,458	2,248	2,902
Hardware	621	1,148	1,319
Machines and Machinery	2,434	3,733	4,772
Vehicles	735	3,057	3,563
Timber and Bamboo	1,091	843	1,071
Electorical Materials	1,509	2,015	2,654
Leather, Hides, Skins, Hair, Bones, Horns, &c.	744	1,088	1,037
Paper	2,101	2,443	2,833
Bags, Gunny	4,534	6,150	4,046
Sundries	5,403	4,785	5.501
Grand Total	88,266	102,724	98,899

In the second place, let us look at what Japan imports from Manchuria. Here likewise we notice that 70% to 80% of these imports pass through the three southern ports, and that the trade going by the northern route is comparatively small in amount. Consequently the whole trade situation in Manchuria is dominated by the trade in South Manchuria. Among the agricultural products of Manchuria that are exported annually to the value of more than ten million taels, are bean-cake, beans, bean-oil, Chinese corn, millet and tusser-silk. Among mine products are coal and coke. Most of these products are exported to Japan, and in 1927 the exported beans, bean-cake and bean-oil alone amounted to 1,576,000 tons in quantity and 130,000,000 yen in value. This was 73% of the total Manchurian exports to Japan for that year, or 178,000,000 yen. Some of the Chinese millet and all of the Chinese corn thus exported went to Korea. These took the place of rice which was produced in that country and exported to Japan to make up the food shortage there.

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Table 16. QUANTITY AND VALUE OF GOODS EXPORTED INTO JAPAN FROM THE THREE PORTS IN SOUTH MANCHURIA IN 1928.

Description of Goods	Classifier of Quantity	Japan		Korea	
		Quantity	Value	Quantity	Value
Soya Beans	P.	7,012,576	28,404,536	162,777	708,035
Other Beans	„	1,316,769	5,898,182	123,159	530,312
Maize...	„	260,791	730,780	11,222	26,505
Kaoliang	„	678,667	1,607,745	140,312	340,175
Millet...	„	317,983	1,269.288	4,351,545	19,645,705
Wheat	„	783,719	3,056.603	35,164	157,896
Other Cereals...	„	75,853	249,065	160,205	397,544
Sesamum Seed	„	62,762	536,568	57,812	651,488
Melon Seed	„	16,522	137,017	42	415
Hemp Seed	„	160,350	566,537	11	28
Perilla Seeds	„	108,113	657,655	—	—
Other Seed	„	414,398	1,627,375	4,407	22,103
Vegetables	„	53	279	3,928	14,760
Fruits	„	102	1,195	24	236
Plour	„	14,25	7,797	1,895	11,434
Bran	„	1,207,816	2,212,999	33,418	46,162
Eggs	M.	484	6,057	27	488
Marine Products	P.	22,579	68,789	81	2,380
Samshu	„	2,566	17,778	2	25
Cigarettes, Cigar and Tobacco	—	—	—	1,205,675	-- 67,024
Salt	P.	1,296,526	646,487	794,109	601,754
Other Provitions and Drinks.	—	—	151,980	—	18,176
Beancake	P.	12,243,481	34,003,176	1,605,990	4,831,833
Bean Oil	„	7,690	84,590	1,668	19,481
Other Oils, Fats and Waxes.	„	326,017	360,148	2,857	33,072
Hemp, Jute and Ramie ...	„	19,454	149,982	439	7631
Cotton, Raw	„	—	—	67	2,692
Silk Cocoons ... ... :..	„	149	11,538	6	78
Silk, Raw, Wild	„	20,291	7,082,265	39	11,015
Silk, Waste	„	4,005	333,680	2	94
Silk Products	—	—	53,568	—	45
Bristles	P.	108	9,232	—	—
Wool	„	838	25,590	5	151
Hairs and Feathers of all Kinds	„	1,391	82,312	119	8,359
Leather, Hides and Skin.....	—	—	1,302,798	—	38,160
Horns and Teeth	P.	—	—	—	—
Bones...	„	236,520	515,971	4,172	5,538
Cattle	No.	16	180	133	6,869
Poultry	„	105,934	10,630	51	53
Animal Tallow	P.	—	—	655	8,515
Timber and Bamboo, etc. ...	—	—	39,798	—	3,359,858
Firewood and Charcoal ...	P.	61	122	3,669	2,155
Coal and Coke	T.	2,032,240	16,231,236	460,669	3,279,880
Other Mineral Products ...	—	—	916,297	—	19,154
Chemical Products and Medicines	—	—	668,385	—	78,429
Dyes, Colours and Paints ...	—	—	1,878	—	43,546
Ginseng	C.	—	—	6,400	11,125
Iron and Iron Manufactures.	P.	3,593,288	6,391,380	109,987	350,034
Other Metals and Hardware.	—	—	173,935	—	38,431

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Sundries	—	—	4,060,920	—	429,150
Postal Parcels...	—	—	69,795	—	19,370
Total of Exports	—	—	121,639,793	—	35,847,399
Re-exports { Chinese Goods...	—	—	419,332	—	1,945,020
Re-exports { Foreign Goods...	—	—	1,244,723	—	549,075
Re-exports { Total	—	—	1,664,055	—	2,494,095
Grand Total	—	—	123,303,848	—	38,341,485

Note: P=Piculs; M=Mille; No.=Number; C=Catties; T=Lg Tons.

From these figures, it is evident that Japan buys much more from Manchuria than she sells. But the difference is balanced by Japan's trade with China as a whole, for Japan sells to China much more than she buys. It is, therefore, important to notice that Japan's economic policy towards China can not be construed solely in terms of her trade relations with Manchuria alone.

2. SOME ASPECTS OF JAPAN'S ECONOMIC ACTIVITIES.

ECONOMIC POSITION OF THE SOUTH MANCHURIA RAILYWAY COMPANY

Relation of the South Manchuria Railway Company to State Policy. The South Manchuria Railway Company is not merely a railway company conducting business in a colonial territory. As has already been pointed out, the Japanese enterprises in Manchuria are interwoven with Japan's continental policies, in their military as well as their political aspects. This is inescapable in view of the historical and geographical circumstances. It is a matter of course therefore that the South Manchuria Railway Company should be bound up with the policy of the State. Having said this, it must still be emphasized that in carrying out the general policy of Japan, the rôle of the South Manchuria Railway Company is economic, and its chief duty is to manage the railway. However, it is openly recognized that railway management in a colony involves a certain political aspect, for the development of an industrial population in a comparatively backward territory is necessarily dependent upon the extension of the means of transportation in the territory. Modern life being what it is, it is perhaps un-

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avoidable that the carrying out of an economic policy should in the long run have some degree of political significance. This view need not be looked upon as inconsistent with the statement that the policy of the South Manchuria Railway as such is entirely free from the strategic or military motive.[1]

The present function of the South Manchuria Railway is directed more and more toward a solution of the economic problems of Japan herself. A man who has been particularly active in the realization of this economic policy, Mr. Jotaro Yamamoto, former president of the South Manchuria Railway Company, recently made the following statement. "As for our fundamental State policy in the economic relation of Japan with Manchuria and Mongolia, we must simply endeavour on the one hand to provide Japan with an abundance of cheap foodstuffs and raw materials, and on the other to develop our trade with Manchuria and Mongolia so as to provide a larger market for our finished products. If we accept this as our program, then it may truly be said that the South Manchuria Railway Company is charged with an important function in carrying out the policy of the State."[1] These words spoken by the president of the company at the last year's annual meeting persent clearly the purpose of the South Manchuria Railway. This purpose is economic, but it has its relation to the policy of the State.

Relation of the S. M. R. to the Open Door Policy. The leaders of the South Manchuria Railway Company have not been unmindful of the international implications of an economic policy backed by the State such as has just been outlined. From the very beginning, they have considered the question as to whether or not such a policy would result in a monopolization of profits on the part of Japan. The following words were spoken by the first president of the Company, the late Count

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1. The seventh clause of the Russo-Japanese Treaty says: "Japan and Russia mutually pledge that each of the countries concerned shall limit her aims in Manchuria strictly to commercial and industrial ends and in no way should undertake them for the purpose of military tactics."

1. The Tokyo Asahi, June 22. 1928.

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Shimpei Goto, on the occasion of the Company's first general meeting on January 26, 1906." The Company is confronted with a great task, even in its responsibility for the railway alone. Though it is but seven hundred miles in length, it lies on one of the world's great highways and therefore occupies a position of vital importance to commerce between the nations. We are placed in a position to serve the whole industrial world and to be of benefit literally to all people regardless of nationality. Therefore, the policy and aim of the management of this Company should not be to consider merely the interests of our own government and share-holders, but rather to harmonize these with the wider interests of world commerce."[1]

This statement is a clear indication of the foresight of the directors of the Company. They saw in the early days that it would be a wiser and more beneficial policy to make Manchuria a link in the chain of the world's economy, than to monopolize it on behalf of Japan. In short, the open door policy was adopted as the policy of the South Manchuria Railway Company from the very beginning. The problem of how to harmonize the state policy of Japan with these international attitudes is a great test of practical statesmanship. If the problem has not always been solved with complete success, it is at least obvious that no crude policy of monopoly has ever received the serious consideration of the management of the Company.

The policy of the South Manchuria Railway, it may be said, is one that is in close connection with the national as well as the international policies of Japan. The Company cannot therefore be placed on the same level as ordinary incorporated bodies seeking profits only, nor can it be classed with privileged colonial companies of a transitional character. At the same time, the scope of the Company's undertakings is strictly economic and its methods are in the main those of regular profit-making institutions. For the study of Japanese economic interests in Manchuria it is, therefore, important to look upon the Com-

Organization of the S. M. R. Co. The South Man-

1. "A History of ten years of the S.M.R.," by the Company, p. 29.

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pany as a "going concern," the keystone of Japan's industrial organization in Manchuria. Our whole Manchurian trade is carried on under the direct or indirect control of the Company. It is therefore necessary to study its operations and enterprises. churia Railway Company was established as a railway transportation company in conformity with Imperial Ordiance No. 142 "Concerning the South Manchuria Railway Joint Stock Company," issued on June 7, 1906.[1] By another Imperial Ordinance issued on August 1st of the same year, the Company was authorized to undertake mining in addition to railway transportation, particularly coal mining at Fushun and Yentai, water transportation, electric engineering, warehousing, real-estate business within the railroad land, and with the permission of her government other accessory enterprises "for the benefit of the railway."[2] The Company was registered on December 7, 1906, and opened its offices on April 1, 1907.

The organization of the Company is as follows: one president and one vice-president, four or more directors, and three to five supervisors; the president and vice-president are appointed by the government with Imperial sanction; the directors are appointed by the government from share-holders holding fifty or more shares; the supervisers are elected from the share-holders at a general meeting; five years for the president and the vice-president, four years for the directors, and three years for the supervisors, but in practice the president and the vice-president change with each new ministry and, therefore, their terms of office are much shorter. The shares are all inscribed certificates and holders are limited to the Japanese and Chinese governments and the subjects of the two countries.[1] For some reason the Chinese do not own any of the Company's shares. The capital of the Company is 440,000,000 yen. The Japanese government owns one half, and of this amount 100,000,000 yen is invested in the form of railway lines already completed and the properties attached to them, and of the Fushun and Yentai coal miners. This leaves only 120,000,000 yen in the form of money or cash shares owned by the

1. The first clause of the Imperial Ordinance No. 142, June 7, 1906.
2. The fourth clause of the Imperial Ordinance of August 1, 1906.

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government. The face value of a share is one hundred yen, and the majority of shares, other than those held by the government, are in the hands of a small number of Japanese capitalists. Recently, during the incumbency of Mr. Yamamoto as president, a plan was projected to make the shares smaller for the purpose of securing a wider consituency of investors, but the scheme was not materialized.

With its fundamental organization thus determined by law, the company has laid down its own rules for the regulation of its procedure and office arrangement. Without touching for the moment on certain historic changes in that system, the present organization of the headquarters of the Company in Dairen may be tabulated in the following manner.

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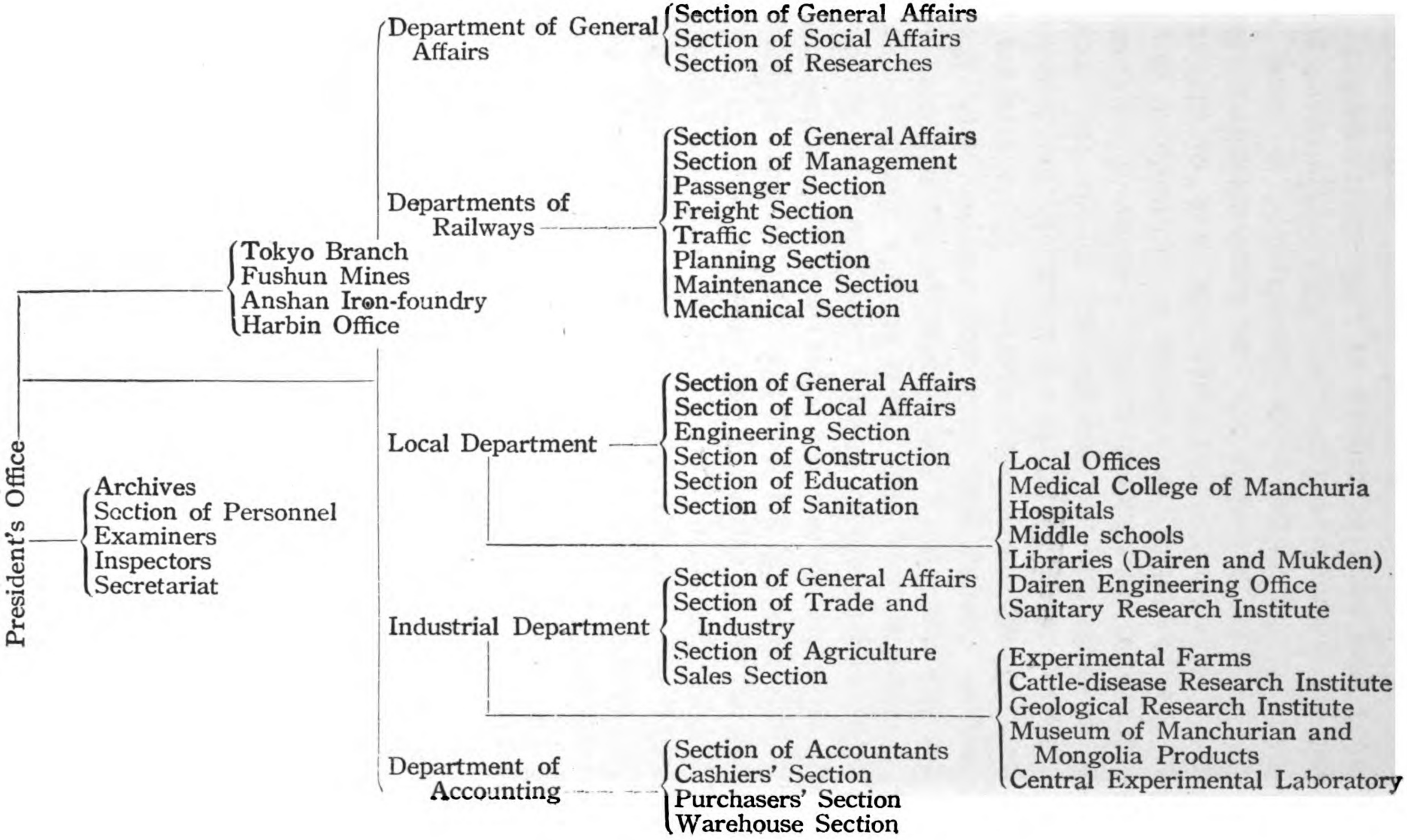

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Works of the South Manchuria Railway. Let us glance at the operations of the South Manchuria Railway. These operations are widely ramified, and all are regulated, as it were, by the railway transportation interests which constitute the center from which all other activities of the Company radiate.

The following table shows the total expenditures of each line of business or activity from 1909 to 1927.

Table 17. EXPENDITTURES OF THE UNDERTAKINGS OF THE S.M.R. (1907-27).

Undertaking	Amount (unit 1,000 yen)			Percentage		
	Straight Investment	Property Value Invested by the Government	Total	Straight Investment	Property Value Invested by the Government	Total
Railway.....	213,798	25,720	239,518	33,1	4,0	37,1
Factories	8,428	332	8,760	1,3	0,1	1,4
Ships	4,045	—	4,045	0,6	—	0,6
Harbours	53,583	6,206	59,789	8,3	1,0	9,3
Mines	56,717	46,014	102,731	8,8	7,1	15,9
Iron Foundries	20,748	—	20,748	3,2	—	3,2
Local Equipment	158,740	5,939	164,679	24,6	0,9	25,5
Miscellaneous Equipment	36,383	8,189	44,572	5,6	1,3	6,9
Total	552,442	92,400	644,842	85,7	14,3	100,0

According to this table showing investments in different lines of business, we see that the railways occupy first place with 37% of the total amount of investment. Next come local equipment with 25% and mines with 16%. It is to be noted that among the investments credited to the Japanese government are the Company's old assets which were properties taken over from Russia by the terms of the Portsmouth Treaty. Of these the mines were the largest and the railways came next, while the value of local equipment was scarcely 4% of the amount invested in them at the present time. This shows that the development in railways and local equipments has been the result of investments by the Company since its foundation twenty years ago.

In the next place let us look at the expenditures of these

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undertakings separately. At the present stage, they may be classified under the following categories: railways, factories, harbours, mines, and iron-foundries. Besides these lines of work, the Company has in the past managed directly such activities as shipping, electric and gas services, hotels, and ceramic works. But recently these undertakings have either been handed over to already existing collateral companies or have been organized into new collateral companies. Thus, at the present, the number of direct undertakings of the Company is smaller than formerly, but on the other hand all the direct and indirect undertakings of the Company having been comprehensively organized into a trust system under the control of the Company, the extent of its undertakings as a whole is really larger than it used to be. We shall see in the following table the business expenditures and the rates of profit and loss of the Company's undertakings both direct and indirect.

Table 18. PROFIT AND LOSS OF THE S.M.R. CLASSIFIED.

Category	Year	Income	Expenditure	Profit and Loss	Expenditures as Per cent. of Income
Railway	1907	9,768,887,113	6,101,614,866	3,667,272,247	62
	1914	23,216,721,520	8,345,286,110	14,871,435,310	36
	1921	78,204,132,380	33,172,716,720	45,031,415,660	42
	1927	113,244,180,150	45,235,834,930	68,008,345,220	40
(1) Ships	1908	78,320,240	204,199,490	— 125,879,250	261
	1914	1,051,332,560	1,220,405,970	— 169,073,410	116
	1921	555,633,300	810,556,440	— 254,923,140	146
	1927	—	—	—	—
Harbours	1907	572,491,618	560,150,572	12,342,046	98
	1914	2,290,612,140	1,963,966,720	326,645,420	86
	1921	7,580,559,810	6,911,901,050	668,655,760	91
	1927	10,275,942,580	9,305,782,430	970,160,150	91
Mines.....	1907	1,434,219,250	931,214,381	553,004,869	63
	1914	14,075,813,540	11,858,860,420	2,216,953,120	84
	1921	40,004,029,150	36,708,108,110	3,295,921,040	92
	1927	82,787,419,090	73,039,118,770	9,748,300,320	88
(2) Iron foundries	1907	—	—	—	—
	1914	—	—	—	—
	1921	3,606,999,110	6,480,725,000	— 2,873,725,896	180
	1927	9,223,114,000	9,380,656,310	157,542,310	102
(3) Factories	1907	—	—	—	—
	1916	672,311,060	549,141,680	123,169,380	82
	1920	4,104,431,500	3,839,018,510	265,412,990	94
	1927	—	—	—	—
(4) Electricity	1907	64,921,400	101,237,578	— 36,316,178	156
	1914	1,101,737,930	694,875,240	406,862,690	63
	1921	4,297,282,880	3,433,511,920	813,770,960	81
	1927	—	—	—	—

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(5) Gas	1909	1,347,210	1,839,600	−	492,390	137
	1914	203,243,950	114,912,090		88,331,860	57
	1921	827,421,530	537,903,160		289,920,140	65
	1927	—	—		—	—
(6) Keramic works	1907	—	—		—	—
	1914	—	—		—	—
	1924	752,437,060	1,021,369,020	−	268,931,960	136
	1927	—	—		—	—
(7) Hotels	1907	59,392,710	90,220,192	−	30,827,482	152
	1914	253,001,660	309,800,550	−	56,798,890	122
	1921	1,085,933,290	1,305,092,630	−	219,159,340	120
	1927	1,000,859,520	1,264,943,690	−	264,084,170	126
Local equipments	1907	120,794,451	251,006,122	−	130,211,671	208
	1914	1,778,544,610	2,864,199,550	−	1,085,654,910	161
	1921	3,954,463,180	10,386,002,360	−	6,431,539,180	263
	1927	6,098,233,670	19,104,444,350	−	13,006,210,680	313

The impression one gets from examining this table is that the undertakings of the South Manchuria Railway Company are now economically much more stabilized than they were at its earyl stage. They have been rationalized in two ways: first, business expenditures, that is the cost of production, have been lessened; and secondly, these undertakings have been reorganized into a trust system, and those showing ability to stand independently and make profits have been allowed to continue. Take, for example, the railway management. It has always been the most profitable line of business of all the enterprises of the Company, and yet even in this department the operating expenditures have been cut down from 62% to 40%. In the metal refining department, the expenditures in the year of its inauguration (1919) was 180% as against receipts, but today it is 102% and thus is approaching the point where both ends meet. In mines, ships, harbours and electric works, though varying in the degree of their success, the same process of reorganization is going on. This leads to the second step of rationalization, that is the process of reorganizing them into independent undertakings. Recently shipping, electric and gas services, keramic works, hotel management, etc., have either been made independent or commissioned to collateral companies. These enterprises which have been separated from the Company are now able to devote themselves more directly to the making of profit. Needless to say the South Manchuria Railway Company controls these collateral companies either as the biggest share-holder, or through the offices of their directors or

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by other personal relationships.

The South Manchuria Railway Company and its Subsidiaries. So long as the South Manchuria Railway Company is charged with the duty of carrying out Japan's state policy which aims at the economic development of Manchuria, and at the same time is to operate as a profit-making concern, it is quite natural that it should help the private enterprises of Japanese subjects in Manchuria. This procedure of the Company, together with its financial assistance, in the form of industrial loans, to the Chinese government as well as to her people, should be recognized as an important economic contribution. In view of the present disorganized state of the Japanese banking system in Manchuria (plans for reform having been projected in the past, but none has as yet materialized)[1] we are forced to admit that the South Manchuria Railway Company has discharged an important function in financing the industries of Manchuria. The Company is therefore not only the controlling body of a whole chain of industrial enterprises in Manchuria, but is also the central financial institution in the territory.

The following table shows the amount of capital invested by the South Manchuria Railway Company, first in independent companies and second in assisted companies in general. These companies are classified according to their undertakings.[2]

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1. Yoshiro Shinozaki, "Financial Conditions in Manchuria," vol. 2, p. 429-473.
   Kei Fujioka, "Look at Manchuria and Mongolia Anew," p. 215-218.
2. "The Second Ten Years' History of the South Manchuria Railway Co." by the Company. p. 927-1008.
   "Conditions of Japanese Investment in Manchuria and Mongolia," by the Research Bureau of the Company, p. 8-11.

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Table 19. AMOUNT OF INVESTMENTS OF THE S.M.R. CO. IN COLLATERAL COMPANIES.

Category		Name of Company	Yeas of Establishment		Capital	Amount invested by S.M.R Co.
A	Independent Companies	South Manchuria Electric Campany...	May	1926	25,000.000	22,000,000
		South Manchuria Gas Company	July	1925	10,000,000	9,300,000
		Dairen Keramic Work Company ...	July	1925	1,200,000	1,200,000
		Ta Hua Keramic Work Company ...	Oct.	1920	87,275	144,167
		Chang Kuang Glass Company	April	1925	3,000,000	1,200,000
	Exchange Trust Companise	Mukden Exchange Trust Co.	July	1921	875,000	437,000
		Kaiyuan Exchange Trust Co.	Oct.	1915	2,000,000	32,700
		Kunchuling Exchange Trust Co.	Aug.	1919	500,000	125,000
		Changchun Exchange Trust Co.	March	1916	1,000,000	125,625
		Tiehling Exchange Trust Co.	Nov.	1919	500,000	62,500
		Ssupingkai Exchange Trust Co.	Aug.	1919	500,000	62,500
B	Market Companies	Manchuria Market Co.	Aug.	1916	400,000	50,000
		Changchun Market	May	1917	50,000	15,000
		Co.Fushun Market Co.	May	1918	100.000	2,500
	Electric Companies	Wafangtien Electric Co.	Oct.	1914	500,000	20,625
		Tashihchiao Electric Co.	July	1916	50,000	20,625
		Ssupingkai Electric Co.	April	1917	35,000	71,250
		Kungchuling Electric Co.	Aug.	1916	25,000	51,870
		Fanchiatun Electric Co.	Nov.	1920	50,000	750
		Liaoyan Electric Co.	May	1912	200,000	100,000
		Tiehling Electric Co.	Nov.	1910	150,000	144,500
		Yingkow Water & Electric Co.	Aug.	1909	2,000,000	1,263,500
	Transportation and Mining Companies	Dairen Steamship Co.	Jan.	1915	10,000.000	4,750,000
		Manchuria Dock Co.	April	1923	2,000.000	1,000,000
		Fushun Coal Sales Co.	April	1923	3,000,000	150,000
		Fukushoka Industrial Co.	Oct.	1923	1,800,000	1,400,000
		Anshan Iron Mine Undertaking Co. Mining Dpt.	March	1913	—	—
		Penchihu-Chienchang Ry Co.....		—	570,000	399,000

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Category		Name of Company	Yeas of Establishment	Capital	Amount invested by S.M.R. Co.
3 Companies in General Assisted Companies	Manufacturing Companies	Dairen Oil Industry Co.	April 1916	250,000	90,000
		Dairen Oil Refinery...	Sept. 1918	3,000,000	6,125
		Manchuria Spinning Co.	March 1923	5,000,000	625,000
		Dairen Industrial Co.	April 1918	500,000	107,000
		Sino-Japanese Match Manufacturing Co.	Oct. 1907	300,000	1,800
		Manchurian Flour-mill Co.	Dec. 1906	5,750,000	20,375
		Manchuria-Mongolia Woolen Co.	Dec. 1918	3,000,000	102,375
		South Manchurian Flour-mill Co.	Dec. 1916	10,000,000	220,575
		South Manchurian Minning Co.	April 1918	375,000	194,900
		Manchuria Mining Co.	April 1919	1,000,000	12,500
		Asia Tobacco Co.	Oct. 1919	1,500,000	7,500
		Manchuria Brush Co.	May 1919	500,000	25,000
		Ta Hua Electro-Metallurgical Co.	March 1918	—	150,000
	Railway Company	Chosen Railway Co.	Sept. 1923	52,500,000	37,500
	Miscellaneous Companies	Mansen Mine-post Co.	Dec. 1919	3,000,000	600,000
		Dairen Fire & Marine Insurance Co.	Jnly 1922	2,000,000	166,250
		Kirin Storage Financing Co.	Aug. 1918	48,000	15,000
		Sino-Japanese Trading Co.	Aug. 1913	5,000,000	60,000
		Oriental Industrial Co.	Aug. 1909	60,000,000	25,000
		Manshu-Monogolia Cold-storage Co.	April 1922	1,000,000	1,250
		Oriental Industrial Promotion Co.	Jan. 1922	20,000,000	2,125,000
		Stsumen Lumber Co.	June 1922	6,000,000	2,222,000
		Manchurian Daily News Co.	Nov. 1908	500,000	500,000
		Genzan Sea-bathing Co.	June 1923	150,000	100,000
		Oriental Engineering Enterprise Co.	Sept. 1921	5,000,000	47,500
		Tangkangtsu Hot-spring Co.	March 1920	2,000,000	31,250
		Anshan Real-estate Trust Co.	Oct. 1921	1,000,000	426,030

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ECONOMIC ROLE OF JAPANESE SUBJECTS IN MANCHURIA

Number of Japanese Residents in Manchuria. In July 1928, the Japanese in Manchuria numbered about 203,000 and the Koreans 893,000. Among the Japanese some 195,000, that is about 97% of the total, live exclusively in South Manchuria (within the Province of Kwantung, the S.M.R. Zone, and six consular jurisdiction areas in South Manchuria). There are about 490,000 Koreans in South Manchuria and about 400,000 in North Manchuria.[1] Twenty years have passed since Japan took to herself the task of developing Manchuria. In spite of this fairly long period, the present Japanese population in the territory is but 2.8 times that of 1909, when there were 68,000 Japanese. Thus, the earlier hopes of our statesmen, that a million Japanese subjects, or at least a half million agricultural and industrial workers would migrate to Manchuria in ten years, have not been realized.[2] Manchuria, as a solution of the problem of over-population in Japan has not materialized.[3]

Occupations of Japanese Residents. In order to see what economic activities are carried on by the Japanese residents in Manchuria, a classification of their occupations is given below. The Japanese people in Manchuria differ according to localities, as do also their occupations. For instance, in Kwantung Province the largest group, 36.8%, are engaged in manufacturing, 24.6% are in the professions and public services, 20.4%, in commerce, and 17.1% in transportation. These four occupations taken together constitute 88.9% of the total, indicating that other occupations are of little importance in this particular locality. In the railway zone and in the districts under consular jurisdiction, commerce stands first with 24.3%, transportation next with 24.2%, manufacturing third with 16.9%, and the professions and public service fourth with 14.9%, making

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1. "Manchurian and Mongolian Year Book," 1929, p. 15-17.
2. "Outline of Japanese Colonization Policy" by S. Goto, p. 40.
3. "Japanese Problem of Population and Manchuria and Mongolia" by the Research Section of the Company p. 245.

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80.5% of the total. And while there are some fairly significant variations, the situation here is not fundamentally different from that in the Kwantung Province. The population engaged in mining industry is large in these localities, due to the presence of the great mines at Fushun, Anshan, and Penhsihu.

In the hinterland beyond the railway zone and in North Manchuria, the situation is very different from those just described. Here the commercial population occupies 53.3% of the total, and public service and the professions together make up 22.1%. Those engaged in agriculture, mining, etc., constitute but 4%. Summarizing the whole situation, we find that of the Japanese in Manchuria 23% are engaged in commerce, 21.3% in manufacturing, 20% in transportation services, and about the same in public service and the professions together. These four classes amount to 84.7% of the whole. No other occupation has as much as 5% of the population. A small part of population, only 3,254 or 1.7%, are engaged in agriculture and fisheries. This situation may be tabulated as follows:

Table 20. CLASIFICATION BY OCCUPATIONS OF JAPANESE RESIDENTS IN MANCHURIA.

Category	Number			Percentage		
	Men	Women	Total	Men	Women	Total
Agriculture	1,249	1,007	2,326	1,27	1,17	1,22
Aquatic industry ...	413	326	739	0,42	0,35	0,39
Mining	4,602	4,236	8,838	4,66	4,61	4,63
Manufacture	21,896	18,850	40,746	23,18	20,49	21,39
Commerce	23,608	21,230	44,838	23,92	23,08	23'51
Transportation	20,477	17,640	38,177	20,75	19,18	19,99
Public Service and the Professions ...	19,333	18,859	38,192	19,59	20,50	20,00
Miscellaneous	2,847	5,673	8,520	2,88	6,17	4,47
Domestic worker ...	822	1,673	2,417	0,84	1,72	1,27
Unemployed.....	3,446	2,506	5,952	3,49	2,72	3,12
Total	98,702	91,982	190,685	100,00	100,00	100,00

In order to see occupational conditions on the basis of the above table, we shall now divide the population into employers, officials and labourers. According to the first census taken on October 1, 1920, there were 83,915 dependents out of 170,482 persons registered. The remainder of 82,962 are divided as follows; employers 17,800, officials 5,688, and labourers 5,951.

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This comparatively small group takes a leading part in the economic life of Manchuria, employing a large number of Chinese and Koreans in the various enterprises under their direction. If one compares the number of Chinese with the number of Japanese in various industries it is found that in agriculture the Chinese occupy 90%, in aquatic industry, 98%, in mining 82%, in commerce 72%. Even in the more technical lines such as manufacturing and transportation, the Chinese percentages are 65% for the former and 62% for the latter. Many of these Chinese are ofcourse employed by the Japanese. The only occupations in which the Japanese outnumber the Chinese are the public services and the professions. Here the Japanese occupy 65%. These percentages make clear the industrial role of the Japanese residents in Manchuria.[1]

Table 21. PROPORTION OF JAPANESE AND CHINESE IN EACH INDUSTRY RUN BY THE JAPANESE

	Workers		Dependents		Total		Percentage	
Industry	Japanese	Chinese	Japanese	Chinese	Japanese	Chinese	Japanese	Chinese
Agriculture ...	11,484	135,493	18,073	246,355	29,557	381,848	8.8	90.2
Aquatic Industry ...	232	11,228	421	29,641	653	40,869	1.6	98.4
Mining	2,244	31,005	5,104	4,258	7,348	35,263	17.2	82.8
Manufacture .	16,334	48,623	29,972	38,943	46,306	87,566	34.6	65.4
Commerce ...	15,111	57,623	23,025	39,434	38,136	97,057	27.5	72.5
Transportation	11,242	31,932	23,554	24,793	34,796	56,725	38.1	61.9
Public service and the professions .	13,574	8,599	22,659	10,398	36,233	18,997	65.6	34.4
Miscellaneous.	4,746	29,745	4,958	29,478	9,707	59,223	13.9	86.1
Domestic work	1,694	9,672	686	2,870	2,380	12,542	16.0	84,0
Unemployed...	489	1,815	4,664	8,584	5,153	10,399	33.3	66.7
Total	77,164	365,735	133,136	434,714	210,300	800,449	19.8	80.2

Most of those engaged in public services, the liberal professions, transportation, and mining as shown in table 17, are connected with the South Manchuria Railway Co. or the Kwantung Government. The total number of employees of the South Manchuria Railway Company in 1926 was 20,572, and of the Kwantung Government about 6,600. After subtracting these from the 82,000 Japanese engaged in actual economic activities there are about 55,000 Japanese who are not connected with

1. The S.M.R. Co. "Numerical Considerations of Labour Questions in Manchuria," p. 11-12.

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the South Manchuria Railway Company or the Kwantung Government.[1]

Commerce. Commerce ranks first numerically in the economic activities of the Japanese residents in Manchuria, though the number so engaged is not necessarily a key to the quantity of goods distributed in Manchuria. In 1927 there were 448 Japanese joint-stock companies engaged in trading and having their main offices in Manchuria or Mongolia, and the aggregate total of their capital was 79,000,000 yen. Among these, the small companies with capital of 10,000 yen or less numbered 182, but those with a capital of 1,000,000 yen or less were 438, or 97% of the total number.[2] The aggregate amount of capital of private enterprises was 56,000,000 yen and the volume of their transactions 96,500,000 yen. Commercial loans to all these incorporated and private enterprises, issued on the security of real estate by Japanese banks in Manchuria, amounted in 1926 to 22,702,829 yen. Since such loans can be recognized as a part of capital invested, the Japanese commercial activities in Manchuria and Mongolia employ capital amounting to about 347,000,000 yen in the aggregate.

The total amount of active capital or investing capacity of Japanese banks in Manchuria is approximately 300,000,000 yen for every half year. But one characterteristic of the South Manchuria Railway Company in relation to commercial activities, is its investment in the trade of specific products in Manchuria. Therefore, in a consideration of commercial capital such as the above, loans by the South Manchuria Railway Company to certain commercial bodies dealing in specific products should be taken into account. These loans amount to more than twenty million yen in silver and gold every half year. It is difficult to know just how much out of this twenty million is apportioned to Japanese enterprises, but nevertheless the fact is worth mentioning. We may summaries by saying that the Japanese trade in Manchuria is working with capital of 360,000,000 yen.

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1. The S.M.R. Co. "Our Problems of Over-population in Relation to Manchuria and Mongolia" p. 146.
2. S.M.R., "Condition of Japanese Investments in Manchuria, pp. 75-76.

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Banking. The Japanese banks in Manchuria have lately been amalgamated into a few big banks, of which the Bank of Chosen, the Yokohama Specie Bank, the Seiryu, and the Manchurian are the largest. The latter two are local banks having their central offices in Manchuria. There is also the Banking Department of the Oriental Colonization Company with its main office in Korea, which functions as a financing agency mainly in land transactions. The loans of these four banks amount to 73.6% of the total loans of 345,000,000 yen at the end of 1926. If we add to this the loans on immovable properties by the Oriental Colonization Company amounting to an additional 20.7%, the total of the five banks becomes 94.3%, leaving 5.7% to all other banks. These loans are secured as follows: 40% by immovable properties, 30% by credit, 13% by documentary securities and merchandise. Thus the percentage of securities in stocks and bonds is very small.[1] There are several reasons why the Japanese banks in Manchuria stress the importance of security by immovable property. It is due partly to the absence of a suitable real estate bank in Manchuria,[2] and partly to the prevalence of the custom of issuing promisory notes with collateral securities, since there is generally little credit extended to merchants, and the technique of commercial transactions is poorly developed. It may also be in part a reflection of the Japanese political and geographical relation to Manchuria. In the Harbin district there has been a tendency of late to look upon loans on real estate as dangerous, because of recent developments in Chinese land policy. The fact that banks in Manchuria controlled by American interests make loans mainly on freight is partly due to America's primary interest in the promotion of trade, and partly to her relations with Manchuria, which are of course entirely different from those of Japan.

The total bank deposits are 140,000,000 yen of which 96% is in the four leading banks. The entire amount of exchange transactions, 1,380,000,000 yen, was handled solely

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1. Y. Shinozaki, Financial Conditions in Manchuria, vol. 1., p. 304.
2. The S.M.R. Co. "Outlook of Money Circulation in Manchuria," Pamphlet No. 54, p. 62.

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by these four banks. These exchanges were mainly between Japan and Manchuria or within Manchuria. A noteworthy point is the fact that the deposits amount to only 40% of the loans. This comparatively small amount of deposits includes those of Chinese and Europeans. These circumstances reveal the limited financial capacity of Japanese residents in Manchuria.[1]

Manufacturing. There are more than 350 factories run by the Japanese in Manchuria, but the total amount of capital actually invested in them is only about 70,000,000 yen. Enterprises on a small scale with 100,000 yen or less of nominal capital, make up about two-thirds of the total number. There are only three that are capitalized at more than 5,000,000 yen.[2] According to the classification adopted by the Research Bureau of the Sauth Manchuria Railway Company in its inquiry, the Japanese in Manchuria are engaged in such enterprises as iron manufacturing, dyeing, weaving and chemical industries, oil refining, keramic works, lumbering, the manufacture of food stuffs and beverages, flour milling, distilling, printing, making of leather goods, etc. The industries which receive more than 50% of their necessary raw materials from Manchuria are the oil refineries, the distilleries, the flour mills and lumbering. These industries which are characteristic of the region, are for the most part small, and the raw materials consumed in their operations are produced in limited quantities. Therefore, there must be greater concentration on the production of raw materials and greater care exercised in determining the kinds of industries to be promoted there. This is especially true since Japan is herself an industrial country.[3]

Mining and Forestry. Excepting for those under the South

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1. Y. Shinozaki, Ibid., p. 313.
   The S.M.R., Outlook of Money Circulation, p. 61.
2. The S.M.R. Co., "Condition of Japanese Investments in Manchuria," p. 75.
3. See Inquiry made by the S.M.R. Co. under the title, "The Conditions of Industry in Manchuria, vol. 2." (Only 165 factories out of some 350 are dealt with)., "Industrialization Policy for Manchuria," by Y. Abe, Study for the Journal of Law and Economics, vol. 1. No. 4.

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Manchuria Railway Company, there are few mining operations worthy of note undertaken by the Japanese in Manchuria. The total number of mining companies is nineteen and the aggregate sum of their paid-up capital is only 2,300,000 yen. There are some fairly big enterprises under joint Chinese and Japanese management in mining and lumbering. In mining there are twelve such companies with total capital of 11,000,000 yen of which 3,950,000 yen is the nominal investment of the Chinese. The iron foundry at Penhsihu with a capital of 5,000,000 yen is owned largely by the Okura Trading Company. In lumbering there are six companies with 13,000,000 yen capital (the Chinese nominal capital being 5,430,000 yen and the Russian, 2,000,000 yen). The largest company is the Cha-Mien Lumber Company with capital of 6,000,000 yen under the joint management of Japanese, Chinese and Russians. Among the mining enterprises in Manchuria, only two, the Fushun Coal Mine and the Anshan Iron Mine, are important. The latter has recently succeeded in improving and renovating poorly producing mines. The Fushun mines produce 550,000 tons of coal annually, while the total output of coal in Manchuria is 6,500,000 tons a year. In lumbering, development is also retarded owing to difficulties in transportation and to the limited local demand. The pulp industry is now in a critical position, because of the importation of cheap goods from abroad.[1]

Agriculture. Agriculture is the most important of all the industries of Manchuria. The production of wealth in this region may be said to be almost entirely dependent upon agriculture. This is particularly true of the bean industry, which produces some 35,000,000 *koku* of beans annually. Let us glance at the agricultural undertakings in Manchuria according to the kinds of products: (1) native products, (2) special products, (3) rice, (4) fruits and vegetables. For the production of the first, the Japanese are not qualified, and it is therefore carried on exclusively by the Chinese. The Japanese farmers in Manchuria lack capital, skill and experience.[2] These limitations have

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1. "What may be Expected from Manchuria and Mongolia," by the S.M.C. Co. p. 22-23.
2. "Manchurian Rice as Merchandise" by the S.M.R. Co. p. 20.

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hitherto hindered the Japanese from going into agriculture in Manchuria. In 1926 the Japanese farming population in Manchuria was only 2,326. In contrast with this small number, there were more than 700,000 Koreans engaged in rice culture in different districts of Manchuria, and this in spite of uncertainty with respect to their rights of land tenure, and oppression by local Chinese officials. The total area of rice fields in Manchuria is 1,120,000 ***tan*** and the annual rice production is about 2,300,000 ***koku***. Of this production the Koreans are responsible for 70%, the Chinese for 24% and the Japanese for only 6%.[1] It is calculated roughly that the available area for rice cultivation in Manchuria is about ten million ***tan*** and the possible amount of rice production about fifteen million ***koku***. In view of these immense possibilities, it is very natural that Manchuria should be regarded as an important factor in the solution of Japan's food problem.

In the cultivation of cotton, tobacco, sugar beats, peanuts, sesame, flax and other such special products, improvement and introduction of new varieties have been effected through experiments conducted by the Experimental Farms of the South Manchuria Railway Company. Further developments in these lines are to be expected. A cotton plantation in the Kwantung Province has lately been promoted by the Japanese and this, as well as fruit culture, is counted on as a hopeful line of agriculture for the future.[2]

3. ECONOMIC RELATION OF MANCHURIA TO JAPANESE INDUSTRIES.

In order to understand the economic relation of Japan to Manchuria, we have reviewed several of its aspects, such as the capital invested, Japanese economic activities in the territory, etc. The next step is to make clear the importance of Manchuria to the industries of Japan.

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1. The S.M.R. Co., "Japanese Food Problems and Manchuria," p. 37.
2. Toyoji Chiba, "Founding of Japanese Farms in Kwantung," p. 23-24. In this book are listed many lines of agriculture, both suitable and unsuitable for Japanese.

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If we look upon Manchuria simply as a market for the export of capital, its value up to the present at any rate has been slight, as is proved by the results of loans to China and to the Chinese. For this reason Japanese capital exported to Manchuria is now invested in industries controlled by the Japanese. But even then the returns are not favorable, when compared with the situation at home, except in the case of the railway itself. And since the S.M.R. Company applies a large part of the returns from its capital to unproductive channels, such as the promotion of industries and local administration, the part which goes to the individual share-holders is greatly reduced. While it is true that Manchuria absorbs a large quantity of Japanese goods, amounting annually to more than a hundred million yen, it must be remembered that Japan is a larger buyer than seller in relation to Manchuria. In other words the annual trade balance is against Japan.

The question then arises as to why Japan and the Japanese continue to invest such large sums of capital in Manchuria in the effort to promote industrial activities there? The answer is that investments in Manchuria are not viewed exclusively from the standpoint of immediate profit. The wider significance of the relationship lies in the expectation that Manchuria offers to Japan a solution of serious national problems that seem to threaten her future development. Certain enterprises in Manchuria may, for example, be unprofitable until they are linked up with a system of production that involves both Japan and Manchuria. It is possible even now, not to speak of the future, to see that the industries of Manchuria are of vital concern to Japan. It is in this view of an organic economic relationship between Japan and Manchuria, that a solution of Japan's problems of food and raw materials seems to emerge. These broader considerations are now fully recognized by our statesmen and by the leaders of the South Manchuria Railway Company, and policies based upon them are gradually being put into practice. An example of this was the so-called positive economic policy of Mr. Yamamoto, former president of the South Manchuria Railway Company. Recently, in tendering his resignation, following a change of government

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at home, he spoke as follows: "The present economic state of our country is very unfavorable. The basic cause of this is in the deficit of about 150,000,000 yen in our international account. The only way to remedy this unfavourable situation lies in the development of our industries. Look for a moment at Manchuria and Mongolia. There the area of arable land is about four times as large as that of Japan, and its future prosperity in agriculture, forestry, and stock-breeding is assured by the hosts of Chinese immigrants crowding into the territory every year. Besides, the amount of coal, iron, and other mineral resources is said to be incalculable. And since these abundant raw materials are obtainable at a comparatively low cost it becomes the primary duty of the South Manchuria Railway Company to exploit these resources for the sake of Japanese industries, and thereby improve our whole economic situation."[1]

While this may sound somewhat exaggerated, it was nevertheless the course which Mr. Yamamoto attempetd to follow during his two years in office. When such a policy is adopted by the South Manchuria Railway Company and is then joined with the activities of capitalists at home, the result will doubtless be what is termed economic imperialism. Be that as it may, we cannot overlook the underlying facts and realities which beget such a policy. In short, the economic value of Manchuria to Japan should be judged from the angle of Japan's problems of food and raw materials, and of her industrial development, present and future.

Problems of Population and Food in Relation to Manchuria.

The main agricultural products of Manchuria are soya beans, millet, corn, wheat, red-beans, and barley. There are no accurate statistics of production of these farm products. But it may be said that with the improvements effected year by in the methods of cultivation, some one hundred and twenty or thirty million *koku* of these cereals are now produced annually.[2]

1. Speech at a meeting of a society for the employees of the S.M.R. Co., August 1, 1929.
2. The S.M.R. Co., "What to expect from Manchuria and Mongolia," p. 9-10.

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Besides these, rice, cotton, tobacco, mulberry, sugar-beat, peanuts, and sesame, are important farm products that have also been introduced. These newer products are not yet produced in sufficient quantities to supply fully Japan's needs in food and materials for industry, though the future is very promising.

The total area of cultivated land in Manchuria is about 12,000,000 cho, which is about twice as large as that of Japan proper. The area of uncultivated arable land in Manchuria is about 10,000,000 cho. When it is recalled that about 300,000 *cho* of land are brought under cultivation every year, a great future for Manchurian agriculture seems assured.[1] While the amount of home consumption of each of the above mentioned special products in Manchuria is not uniform, in general it may be said that half of the total production is consumed within the territory, leaving about sixty to seventy million *koku* for export.

The Soya bean. The output of Manchuria soya beans, which is about 50% of the total soya bean production of the world, is 25 to 26 million *koku* annually. Of this amount, about 20% is consumed at home. Therefore, about twenty million *koku* are exported as beans or an bean-cake and bean-oil to foreign markets. In contrast with this enormous production in Manchuria, the annual production of beans in Japan is less than 3,900,000 *koku.* The demand for beans in Japan in order to provide for the manufacture of bean-sauce, bean-paste, bean-cheese, bean-oil, etc. as well as for fertilizer in the form of bean-cake is very considerable, and is roughly estimated at about seven or eight million *koku.* This means that the home supply of beans is less than half the demand. The shortage is met chiefly by imports from Manchuria. The average annual import is valued at about forty to fifty million yen.[2]

The importation to Japan of Manchurian bean-cake for use as fertilizer has always been very large. Of late however it has decreased somewhat because it has been found to be

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1. The Research Bureau of the S.M.R. Co., "Consumption and Production of Manchurian Farmers," Report No. 13.
2. "Japanese Food Problems and Manchuria" by the S.M.R. Co., p. 80.

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inferior to ammonium sulphate as a nitrogenous fertilizer. In spite of this, its annual importation into Japan amounts in value to about seventy to eighty million yen. In 1919 and 1920 it reached a hundred million yen. The perenctage of bean-cake in the total amount of fertilizers imported by Japan, at one time reached more than 70%. Of late it has decreased to between 50% and 60%. At any rate, the importance of Manchurian bean-cake to agriculture in Japan is obvious.

Other Beans and Peas. The annual amount of Japanese imports of legumes other than soya beans, such as red beans, horse beans, peas, pea nuts, etc. is valued at about fifteen million yen. These are imported mainly from Manchuria and other parts of China. The amount imposted from Manchuria is several million yen yearly.

Millet and Corn. These are mostly consumed at home as the principal foods of the native Chinese. Some millet is now being exported to Korea as food for the Koreans, and consequently a larger amount of rice is exported to Japan from Korea. This importation of millet helps solve the food problem in Korea. Pulp manufactured from the stalks of tall millet, and starch manufactured from corn are now regarded as two promising Manchurian enterprises for the future.

Kwantung Salt. Kwantung salt has a special relation to the Japanese food problem. In Japan the annual consumption of salt is about 1,500,000,000 *kin* while the amount produced in the country does not exceed 1,100,000,000 *kin*. The deficit is made up by imports. As the population increases and chemical industries develop in Japan this deficit will naturally increase. The coast line of the Kwantung Province is long and the air is dry, so that its sea-shores are specially fitted for salt production. At present the annual amount of salt produced in the province is about 500,000,000 *kin* and it is said that it will be possible to double the amount in the future. But the Kwantung salt production has its own problems, for Tsingtao salt is now a powerful competitor. Besides, owing to the salt monopoly in Japan, the amount of importation of Kwantung salt to Japan is limited to about a hundred million *kin* annually, and its im-

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portation to Korea fluctuates between one hundred million and two hundred million *kin*. This situation is responsible for over-production of Kwantung salt and the provincial administration has been compelled to resort to a subsidy in order to help the salt industry. Kwantung salt has been used in Japan for the manufacture of bean-sauce and bean-paste, but more of it is used now for chemical industries, because its quality is better suited for that purpose.[1]

Live-stock. There is not at present sufficient stock raising in Manchuria to help in solving the food problem of Japan, but for the future when the means of transportation have been more developed and breeds of cattle improved, Manchuria with its wide spaces and cheap labor, will naturally supply a large part of Japan's demand for meats.

In brief it may be said that although Japan has failed in direct colonization in Manchuria, she is succeeding in relieving her food shortage at home by improving agriculture in Manchuria. By this means Japan hopes to liquidate gradually the unfavorable balance in her international trade account, which is caused largely by the importation of food products from other countries to the value of more than 300,000,000 yen annually.[2]

Raw Materials for Manufacture and Manchuria.

Coal, iron, and petroleum are the three basic requirements in the present and future development of Japanese industries. Salt and soya beans are also essential to our chemical industries, and as has already been pointed out, there is every prospect of an adequate supply of these for the future. Our pongee silk industry, which has recently undergone phenomenal development, will be increasingly dependent on the Manchurian tusser-silk for its raw material. Japan is importing every year some five or six hundred million yen's worth of cotton from abroad

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1. Salt is not only used for food but is also important material for chemical industries. As to the amounts consumed by the industries in Japan, see p. 140 of "Manchurian Products and their Demand Situation in Japan."
2. "Japanese Food Problems and Manchuria" by the S.M.R. Co. p. 4.

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for her spinning and weaving industries, but it is now hoped that the promising development in cotton production in Manchuria will gradually change this situation. Magnesite and dolomite found in Manchuria in abundance are also valuable raw materials for Japanese industries.[1]

Coal. The central importance of coal in Japan's phenomenal industrial development is ofcourse too obvious for discussion. Up until 1923, Japan exported coal, besides satisfying her own needs. Since then, she has become a coal importing country. The estimated amount of coal deposit in Japan proper at present is only five billion tons, or about 1/500 of the estimated deposit in the United States. If our annual coal consumption continues at the present rate, we will exhaust our limited supply within fifty or sixty years or, at the longest, in a century.

In Manchuria the estimated amount of coal deposit, mainly in and around the Fushun, Yentai and Penhsihu coal regions alone, is about 1,500,000,000 tons. This calculation, however, is but partial, and as railways develop and researches advance, we shall know more of these deposits. The Fushun Mines have a calculated deposit of a billion tons. Their recent annual output has been about 6,500,000 tons, of which about 3,000,000 tons can be exported. Thus the Fushun coal offers an excellent means of relieving the coal shortage at home. Its export to Japan is yearly increasing. In 1912 the amount exported to Japan was 110,000 tons; in 1921, it was 290,000 tons, in 1922 it suddenly rose to 610,000 tons, and in 1927 to 1,700,000 tons. There is another coal center in East Inner Mongolia, the Shinchiu Mines, in which the South Manchuria Railway Company has invested some capital and where the coal deposit is supposed to be one billion tons. Once a railroad is built to these mines, the demand for coal by Manchurian industries will be met by these mines, while the output of the Fushun mines will be directed mainly toward relieving the coal shortage of

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1. The S.M.R. Co., "Importance of Manchuria to Japanese Chemical Industries." On page 4, a useful list of minerals, plants and animals is given.

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Japan, which will be as much as 8,000,000 tons yearly.[1] Thus the Manchurian coal is likely to be the salvation of Japanese industries in the future.

Iron. The iron industry is a vital element in Japan's status as a world power. Our home demand for steel is increasing annually. It was only 210,000 tons in 1896, but by 1927, just thirty years later, it had increased tenfold and stood at 2,100,000 tons. Japan has practically no iron deposit within her own boundaries, her annual steel output at present being only 1,100,000 tons, or about half her requirements. Her pig-iron supply, too, is short about 300,000 tons every year. All these shortages are met by importation from abroad. Confronted with a situation so disheartening, it is not surprising that hope is revived by the prospects of the iron-foundries at Anshan and Penhsihu in Manchuria. Especially is this true of the Anshan foundry, in the development of which the South Manchuria Railway Company has spent freely its energy as well as its capital. The calculated amount of ore deposit containing above 35% of iron is about three billion tons, but unfortunately the major part of the deposit seems to be a poor grade of ore, containing less than 40% of iron. Since 1920 the South Manchuria Railway has been trying to discover a means whereby the extraction of iron from this grade of ore can be put on a paying basis. After numerous experiments, success has attended their efforts in the discovery of a method called the Anshan method of Magnetic Deoxidization, whereby an ore containing 55% of iron is artificially produced. The foundry is now producing some 200,000 tons of pig-iron. An extension costing about 5,500,000 yen is now in process of being built. It will begin operations within the present year with an annual capacity of 280,000 metric tons of iron. The Penhsihu Iron foundry is producing about 40,000 tons of pig-iron every year. These two foundries together will undoubtedly play an important role in the further development of industries in Japan.

Petroleum. Japan is poor in petroleum deposit. Furthermore she has been far outstripped by other powers in the world-

1. K. Abiru, **What is the Manchurian Question?, p. 21.**

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wide competition for the control of oil resources. At the same time the home consumption of oil is increasing yearly and consequently there is a corresponding increase in the importation of oil. The annual deficit in Japan's oil supply is about 700,000 tons. This is exclusive of two to three hundred thousand tons used by the Japanese navy, making a shortage of about one million tons annually which we are compelled to make up by importations from abroad at a cost of nine million yen.

It was for these reasons that the Japanese Government once saw the necessity of getting hold of the oil deposit in North Saghalien. At present Japan is trying hard to exploit the oil-shale of Fushun in Manchuria. The total amount of oil-shale deposit in the coal region of Fushun is supposed to be some five billion tons. The crude oil percentage of this shale is 5.5%. Supposing 5% of it is extractable, we shall get approximately two hundred million tons of petroleum at Fushun. That amount is sufficient, if the present rate of consumption continues to meet Japan's needs for more than a century. Since 1921, the South Manchuria Railway Company has been trying, in co-operation with the Navy Department, to find the most scientific method of extracting oil from the oil-shales at Fushun. A special dry distillation method of extraction has finally been discovered. Last year the Company invested the huge sum of 8,500,000 yen in order to establish an oil-refinery at Fushun. It is to be completed within the present year, and will produce annually 54,000 tons of petroleum, and as by-products, 18,000 tons of ammonium sulphate, 9,400 tons of crude paraffin, and 4,900 tons of coke. At present our shortage in oil can be met only by importation of foreign oil. The brighter prospects of the oil industry, however, are said to have brought hope to industrial leaders as well as to those responsible for our national defence.

Salt for Industrial Use. We have already seen that salt production in Kwantung Province is even now an important industry and that in the future it will be more so. The Kwantung salt imported into Japan is used mainly in the soda industry; therefore as this industry develops, the demand for salt

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will naturally increase. There is also a plan on foot now to launch a soda industry in the Kwantung Province to absorb the present overproduction of salt as well as to care for any future increase in production.[1] As the other necessary materials for the soda industry, such as lime, ammonium sulphate, coal, etc., are also easily procurable in the Kwantung Province, the industry may start at once provided an adequate supply of good water is available. Japan is importing annually 100,000 tons of soda ash at a cost of more than 10,000,000 yen. Furthermore the producers in Japan are always suffering from fluctuations in price. Therefore if this project succeeds, the demand for soda ash in Japan will be entirely met.

Bean-oil. As has already been explained, the amount of Manchurian soya beans imported to Japan, out of a total annual production amounting to twenty-five or twenty-six million koku, is very considerable. These imports are used mainly as food and as raw material in the manufacture of oil. Bean-oil also contributes substantially to the chemical industries in Japan.

Tusser-silk. The main source of raw materials for pongee weaving, a rapidly expanding industry in the districts of Fukui, Gifu and Kyoto, is the Manchurian tusser-silk. The average annual production of tusser-silk cocoons in Manchuria is about eight billion and is valued at approximately twenty-five million yen. About 40% of this total is exported to China proper, mainly to the Shantung Province, and the remaining 60% is absorbed by the filature mills in the vicinities of Antung and Kaiping in South Manchuria. Seventy percent of the tusser-silk produced in these mills is exported to Japan and there made into pongee. According to the latest figures the aggregate annual value of the tusser-silk passing through the three southern ports (Dairen, Newchang and Antung) enroute to Japan is about 7,800,000 standard taels. The Manchurian tusser-silk is therefore of vital importance to the pongee weaving industry of Japan.

Cotton. The spinning industry in Japan has made steady

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1. The S.M.R. Co., "Importance of Manchuria in relation to the Chemical Industries in Japan," p. 62.

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progress during the last few decades. Although Japan is now consuming teh second alrgest amount of raw cotton in the world, the production of raw cotton in this country is almost negligible. The amount of imported raw cotton in 1928, was valued at 534,000,000 yen, and even that enormous total was 66,000,000 yen less than the previous year. In South Manchuria both soil and climate are suited to cotton raising. Recent experiments in that locality with the American variety of cotton have been successful. Since then, the provincial administration in Kwantung, in co-operation with the South Manchuria Railway Company, has been encouraging cotton farming, through the activities of the Manchuria Cotton Plantation Association. The cotton plantation area in Manchuria will undoubtedly be greatly augmented in the future, if satisfactory co-operation between the Japanese and the Chinese can be effected. Such a plan, properly worked out, will supply not only the local cotton demand but also the demand in Japan. The possibilities of this development in Manchuria are therefore of great concern to Japan.

Magnesite and Dolomite. Though the usefulness of Manchurian magnesite is now fully realized, it still suffers certain handicaps in its exportation due to the customs. The latest statistics on the amount exported to Japan give the total as 7,000 tons. It is used at the Yawata Iron Foundry and other factories in the manufacture of a special fire-brick. It is also used in the manufacture of lignoid, a fire-proof flooring material. Magnesite deposits near Tashihchiao Station on the main line of the South Manchuria Railway are said to contain several hundred million tons. As the demand for magnesite increases, its importance to certain industries in Japan will be more fully recognized. The utility of dolomite, which is found in abundance near Nankwanling in the Kwantung Province has not yet been realized. Silica and fire-proof clay are also plentiful in Manchuria. The exploitation of these products awaits a fuller understanding of their industrial possibilities.[1]

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1. I am indebted to Mr. K. Abiru for his work, "What is the Manchurian Question?", in which an excellent description on the subject of this paragraph may be found.

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CHAPTER IV.

CULTURAL ASPECTS

1. HISTORICAL BACKGROUND OF CULTURAL LIFE IN MANCHURIA

It is only about seventy years since Manchuria first came in touch with modern civilization. For many years it was occupied by different tribes and races, the last of whom were the Manchus. These tribes and races lived a partly nomadic and partly feudalistic life, and had merely a political relation with China proper. Sometimes this relation was that of a proud conqueror and at other times it was that of a humble offerer of tribute. When modern civilization knocked at the northern and southern doors of this ancient territory, it was accompanied by occidental capitalism. Long before the entrance of this modern civilization and capitalism, however, the Chinese of China proper had crossed the boundary in great numbers, once the exclusion policy by the Manchu Government was abandoned. These Chinese settled everywhere wtihout reference to any systematic plan of colonization. They brought with them from their native land primitive methods of farming, by which they managed to eke out a living. As they moved along, they found some small commercial towns on the highways and waterways, and also some fortress-towns, built in the time of the Ming dynasty, against the invasion of barbarians. None of these towns, however, could be called a city in the modern sense of the word. The ruling Manchus, who were racially distinct from the immigrant Chinese, were less guardians than exploiters of their guests. The Chinese, who colonized the dreary and hitherto uninhabited wilds, with little or no facilities for traffic, naturally received inadequate protection from the Government and therefore had to defend themselves against mounted bandits and highwaymen, and secure peace and order in their communities by their own hands and methods.

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Under such circumstances, the peculiar system of large families developed by the farmers, together with the system of guilds organized through native connections by the merchants, were not only significant as labor organization, but were also indispensable as political and social groups. With such a social background, the outlook and morals of the people were inevitably affected by the psychology of self-defense in its most elementary form, as well as by the so-called "colonial mind" which is destitute of love of the land.

The territorial imperialism of Russia had, by this time, begun to move eastward, finding its way soon after the middle of the nineteenth century across the natural boundaries between Siberia and Manchuria, the Amur River by steamers and the Khingan mountain by rail. In this manner, Manchuria suddenly came into contact with one phase of occidental civilization on its northern frontiers. The Russian imperialism promptly stimulated changes in the social conditions of Manchuria. Turning to the southern boundary, we find that with the opening of Newchang at the mouth of the Liao River to foreign trade by the terms of the Tientsin Treaty of 1858, Manchuria began to exchange its primitive agricultural products for those of occidental industry.

Thus the civilization of European countries, notably of Great Britain, the pioneer industrial nation, gradually found its way along the Liao River into the interior in the form of various kinds of industrial products.

Though there was a marked contract between the precipitate methods of Russia and the gradual process of Britain—the difference between the man with a sword and the dealer in merchandise—they were both phases of the same thing, that is, the imperialistic outreach of occidental civilization into Manchuria. It was at the hands of merchants and soldiers that Manchuria was given its introduction to modern industrial civilization. When the Japanese succeeded the Russians in South Manchuria, they were about a half century behind occidentals in the practice of western methods. In the meantime, although they were digesting occidental civilization at home with impressive rapidity, much hard work and earnest study were still

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necessary before they could so develop their capitalism as to unify their military and commercial activities into a national policy.

In coming into Manchuria, Japanese officials, businessmen and others learned much that was new from the Russians regarding railway management, town planning, building and heating of houses, and other arrangements peculiar to local conditions just as Japanese army officers had learned much from the Russians about scientific military equipment and strategy during the Russo-Japanese War. It was an entirely new experience for the Japanese, who are blessed with everflowing water and abundant green vegetables in their native country, to learn to adapt themselves to an unaccoustomed climate, to unclean water and wild strtches of land destitute of fruit and vegetable, and to live a hygienic and happy life in spite of these obstacles. The Japanese people had lived a quiet hermit-like existence for so many centuries, with only very rare contacts with foreign countries, that they found the task confronting them in Manchuria, as they had also found it in Korea and Formosa, an absolutely new and strange experience. It is from such a historical background and social environment that the Japanese in Manchuria have been obliged to develop their present cultural and social life in Manchuria. It illustrates the interesting phenomenon that in influencing the environment, culture itself is being influenced. Let us now examine the cultural aspect of the Japanese acitivies in Manchuria.

2. INFLUENCE OF THE NEW ORDER UPON THE OLD.

The fundamental change that has taken place in the social structure of Manchuria is due to the complete transformation in the character of local industries. Her agriculture, now connected with the international markets by means of the extension of railways and harbor facilities, has developed from a mere self-sufficient local economy into an important phase of world economy and international trade. Moreover, such modern industries as mining and manufacturing, which were formerly unknown in Manchuria are now thriving, and giving employment to thousands of people. In all this we note the rising

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tide of industrial capitalism, a new economic factor in Manchuria, which directs and unifies not only mining and manufacturing industries, but also railways and harbors. With this new industrial capitalism as the motive power, her old agriculture as well as her old commerce is being reorganized and systematized. Such is the social and economic condition of Manchuria, swept into the swift currents of modern civilization by the hand of militalistic or economic imperialism.

The process of industrialization has not been simple. It has faced endless complications, some due to superficial, others to fundamental factors. In this new world of endless opportunities the Japanese have displayed a better talent for industrial organization than in their home country. A far-reaching and progressive industrial organization, with the South Manchuria Railway Company as its center, stands as a tribute to this talent. It is true, of course, that among the Japanese who emigrated to Manchuria, many have been unable to keep pace with these progressive and constructive tendencies and, clinging to their old ways of living, have wasted their money and energy in petty competition among themselves. Some of these Japanese have persisted in following their traditional trades after entering Manchuria, and as a result have been ousted by their clever Chinese apprentices who not only learned the trade thoroughly but were younger and more industrious as a rule than the Japanese immigrants. Then there are also some, though fortunately few in number, who constitute an undesirable element in the community by their activities in smuggling opium, morphin, rifles, and other contraband goods.

Turning from the individual enterprisers to those employed in a huge organization like the South Manchuria Railway Company, we see that considerable change has taken place in their life and morale during the Company's long history of development. While the South Manchuria Railway Company, as a busniess organization, has been successful in establishing a completely monopolistic control of the economic life of Manchuria, some of its employees, as individuals, failed in the game of life under the pressure of accumulated personal debts. Their failure is due not only to their stagnant and comfortable lives under

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the protection of the South Manhuria Railway Company, but also to a peculiar restless mentality described as "colonial" which victimizes all the foreign inhabitants in Manchuria including the Japanese. There is a special bureau in the company which deals with "social affairs." Presumably, the object of this bureau is not only to promote the welfare of the Company's employees, but also to conduct fundamental investigations into the peculiar social conditions that are created when an industrial civilization is suddenly transplanted as in Manchuria, and to construct adequate plans for meeting such conditions.

Although industrial capitalism as it operates in Manchuria has brought failure and degeneracy to the lives of some individuals, it is clear that it has also brought peace and order for the first time into Manchurian society. This is the outstanding fact in the cultural impact of capitalism upon Manchuria, an impact that is rapidly wearing away outworn, medieval social insitutions. And inasmuch as its effect is quite fundamental, it touches all the inhabitants irrespective of differences of race and varieties of administration. Under these circumstances, even those Chinese who come to the new land from their primitive villages in Shantung or in Chihli, to work in a commercial town, in a mining town, or even on the land, feel the promise of a new and larger life vibrating through the social body of a growing industrial capitalism.

One of the results of the new factors is a change in the old institution of the family. The large family system is essentially the unit in the life of villages which form the basic community around which the whole structure of Chinese society is built. Invasion of foreign capitalism into Manchuria has necessitated a new organization of labor for the supply of new recruits on one hand, and on the other it has stimulated the development of cities. These two factors have gradually undermined the ancient family system. That changes of this kind have taken place in villages in the vicinity of such open ports as Shanghai, Hankow and Tientsin, is a well known fact. Although this gradual disintegration of the family system is not so evident in Manchuria as in China proper, it is already taking

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place. It is only too clear that the proletarian farmers who migrate to Manchuria cannot afford to support big families and are compelled to adopt a small family system when they are settled in the territory. This practice has spread also among the middle and upper classes; so much so that the division of a large family into small family branches is now a noticeable tendency.[1]

The following table shows the size of families of the Chinese workers employed in the South Manchuria Railway Company.[2]

Table 22. THE SIZE OF FAMILIES OF THE CHINESE WORKERS EMPLOYED IN THE S.M.R. CO.

Number of Members in Family	Railway	Factory	Coal Mine	Total	Per cent.
Two persons	54	5	22	81	12.96
Three persons	73	28	27	128	20.48
Four persons	47	41	21	109	17.44
Five persons	63	44	29	136	21.76
Six persons	38	29	17	84	13.44
Seven persons and over.	27	40	20	87	13.92
Total	302	187	136	625	100.00
Average size	4.24	5.24	4.41	4.57	—

An evil effect which such individualization of society has produced is the popularization of the traditional distractions and diversions which are peculiar to the Chinese people. Together with other undesirable habits, gambling and opium-taking, for which the Japanese are partly responsible, are bound to increaes unless some check can be devised. The refined Epicurianism of the Chinese is a valuable legacy of their old civilization, but to protect it from the abuse to which it is liable under the influence of modern industrialism, great precaution should be taken.

3. CULTURAL CONTRIBUTIONS OF PUBLIC INSTITUTIONS.

The changes in the social and cultural life of Manchuria

1. The S.M.R. "The Family System in China." Vol. 70 of Investigation Material, 1927, p. 66-67.
2. The S.M.R., "An Inquiry into the Cost of Living of Chinese Employees," Vol. 20 of Investigation Report, Part IV, p. 1.

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which are in turn due to the more fundamental economic changes, affect equally the Chinese and the Japanese residents in the territory. In the new cities, the Chinese and the Japanese have been brought into close contact with each other, and as a result there has been a continuous interchange of different ways of housing, concepts of sanitation, and various preferences in food and luxuries. The Japanese, coming from the south, are mostly ignorant of the climatic conditions of the territory, while most of the Chinese know instinctively the best methods of adapting themselves to local environments. On the other-hand, the Chinese have learned from the Japanese the habit of drinking fresh water. This is a healthy habit if there is an adequate system of water supply, but in the absence of such a system, it must be admitted that both the Japanese and the Chinese expose themselves to great danger. Again, having been brought up in a damp warm country, the Japanese still retain in Manchuria their habit of wearing loose garments and thus exposing their limbs, while the Chinese are wise enough to protect themselves from the cold by close-fitting garments. The new custom of wearing European clothes has also spread to Manchuria, bringing about a change in the traditional costume both of the Japanese and the Chinese. How to harmonise and adjust such differences in customs and manners from the point of view of good taste as well as good health is a problem for those who are concerned with the cultural life of Manchuria.

What has been done by the South Manchuria Railway Company and the Kwantung Government to promote education, sanitation and culture, has no doubt contributed enormously to the good of both peoples. The notable aspect of this achievement lies in the fact that it has been based on careful scientific observation of the social life of the people concerned, and carried forward in a spirit of real humanitarianism. The efficiency with which the work has been done, has depended entirely on a large measure of fine co-operation between the administrative organs under different political jurisdictions.

Education. The system of educational institutions under Japanese management in Manchuria is much like the home sys-

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tem, with some modifications due to peculiar local conditions. In the primary and intermediate grades, separate education is given the Japanese and the Chinese because of differences in curricula and in methods of teaching, but in the higher grades the two nationalities come together. The progress in the educational activities which is demonstrated by an ever-increasing number of the so-called educated class of Japanese in Manchuria has given rise to a new problem of unemployment for the graduates of schools. This problem of unemployment for the educated young men must be considered very carefully, because among these young graduates there are many who are the second generation of the original immigrants, and on whom depends to a great extent the future of Manchuria.

Turning to the Chinese, it may be said that the schools under the Japanese management are preferred on account of their greater efficiency and better chances of employment after graduation. The Chinese parents, at present, are quite at a loss because of the political dispute concerning the matter of administrative jurisdiction over education. In any country, so long as education cannot be freed entirely from the political or propaganda motive, such collision or non-cooperation are perhaps inevitable. The use of text books in the Three Eastern Provinces in which the principles and platforms of the Nationalist Party are inserted may cause fresh difficulty in educational cooperation between Japan and China. Indeed, this whole matter of political influence in education really demands international consideration and settlement, since political prejudices injected by education are destined to bear undesirable fruit. A more conciliatory attitude is desirable on both sides. Only in such an attitude has China the right to make known what are her demands and what reform measures are necessary in the Japanese institutions.

Public Sanitation. Hygienic institutions in Manchuria, like other modern institutions, date from the beginning of Russian and Japanese influences. Although Manchuria is located in a comparatively cold climatic zone, the sanitary conditions of the territory are not very good. Until recently the disposal of

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garbage, and sewage, and regulations regarding diseases were entirely neglected. Various pestilences swept unhindered over the country from time to time. To cope with such conditions, both the Russians and the Japanese have brought to Manchuria their best knowledge of hygiene and sanitation. Hospitals, water works, sewer systems and arrangements for disposal of garbage, have been introduced as widely as possible. Vigorous scientific efforts have also been made to prevent the spread of contagious disease. Of all Japan's cultural activities in Manchuria, her work on behalf of public sanitation is least open to criticism. Scientific efforts against such wide-spread evils as uncleanliness and contagious diseases seem to transcend the barriers of race and politics.

In the improvement of sanitary and health conditions in Manchuria, difficulties first arose from both the Japanese and the Chinese sides. The Japanese were at first indifferent to institutions for the promotion of better hygienic conditions because they were ignorant of the new circumstances confronting them in Manchuria. The opposition of the Chinese to such institutions was based largely on ignorance and superstition. In some cases where co-operation between the Japanese and the Chinese authorities was quite necessary, as for example in the pervention or control of contagious diseases, this co-operation was not adequately realised. The various difficulties have, however, been gradually overcome, with the result that great improvement has been brought about in the sanitary conditions of Manchuria. This is due to the development of public institutions under the Kwantung Government and the South Manchuria Railway Company, as well as to the progress of hygienic organization among the Chinese. The activities of the Japanese in this line have been undertaken by the administration itself, particularly in the development of sewer systems and garbage disposal, by the Hygienic Institute, by the medical clinics, and by medical education. All these activities have shown creditable results.

Finally, mention should be made of the international

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co-operation that is now effective in connection with the prevention of contagious diseases. This was the case in 1910-1911, when all nationalities in Manchuria united to prevent the spread of the pneumonic plague. Again in 1919, the cholera was controlled by the joint efforts of the Japanese and the Chinese Governments. However, the danger has been increased by the recent extension of railways into the interior of China, which shortens the distances between Manchuria and certain places where contagious diseases are prevalent, among men as well as among cattle. Under such circumstances, preventive efforts are considered even more necessary for the future.

Arts and Sciences. Characteristically Manchurian letters and arts have not yet developed. That which has been brought in from Russia, China and Japan has not yet been fully indigenized. However, with time and the growth of education Manchuria will doubtless make her own way in this phase of cultural development. The South Manchuria Railway Company, from the time of its foundation, has been generous in financing all enterprises devoted to learning and the growth of the arts. The Company has looked upon such service as part of its mission. The results of researches and investigations conducted by experts into the geography and history of Manchuria, are now available to the public in the form of about a dozen volumes. Materials for the study of orientology and especially of sinology have been collected and made accessible in the Dairen Library. Investigations and experiments in the subject of modern colonization have been carried on by the Central Experimental Laboratory, while the Geological Laboratory and similar institutions have turned out results which are not only practical but of high scientific value.

Not much can be said on the artistic and recreational aspects of the life of the people in Manchuria. Being on one of the international highways, good music is fairly accessible, while the cinema and sports are growing in popularity. This is particularly true of the latter. Further developments in general culture will depend on the united efforts of the people

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and of public organizations. It is interesting to note that the cultural life of Manchuria is everywhere flavored with internationalism, a striking contrast to the strong nationalistic rivalries in politics and business.

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SUMMARY AND CONCLUSION

In summarizing what has thus far been said the following points seem to the writer to stand out as significant and worthy of careful consideration. Though they are numbered for the sake of convenience in referring to them, they need not be thought of as independent of each other.

(1) The historical relation between Japan and Manchuria has been bound up with Korea and largely conditioned by geographical circumstances, political as well as physical. Therefore as long as conditions in international relations remain as at present without what may be described as positive and reliable machinery for dealing with disputes that may arise between the countries bordering on the Pacific, so long will Japan view her relations with Manchuria as of vital importance to her own strategy and imperial organization.

(2) The existing rights acquired by the series of treaties and agreements are numerous, and of these six are of special importance from the Japanese point of view. Among these treaties there are even some that have never been in operation on account of international complications between China and Japan.

(3) The economic interests developed by the Japanese people and fostered by the Japanese authorities in Manchuria are not yet self-sufficient or in a position to stand independent of close connection with the home market. This connection, financial as well as commercial and industrial, has in fact saved the Manchurian economic world from decline and even from bankruptcy. The economic gains from Manchuria, so far as the Japanese are concerned, have been re-invested there and have thus helped to provide for future development, the benefits of which accrue to the Chinese as well as to the Japanese. Japanese economic interests in Manchuria will more and more be concentrated upon the scientific exploitation of the natural resources of that territory, for these constitute an integral part of the nation's requirements in food and raw materials.

(4) The cultural aspects of Japan's relations with Man-

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churia must be viewed from the standpoint of the peculiar social order built up in Manchuria by Russia and then by Japan, modified of course by the native elements. The result of the mingling of these influences will be the emergence of a type of culture that is without marked relation to nationality. International co-operation between the public services, as well as co-operation between individual citizens, in the cultural fields is effective in improving the standards of all people largely because it is without marked nationalitic bias.

We have thus studied the various phases of Japan's relations with Manchuria. To understand these relations or interests as a whole,—in a word, to see clearly what is meant by "Japan's position in Manchuria," is at once easy and difficult. It is easy if one looks merely at the present situation from a purely subjective and one-sided point of view, and without regard to the long complicated history. It is difficult, on the other hand, if one gives due consideration to the history of the problem and to all the international complications involved. To this task, perhaps, only the future historian will be equal.

The Government and the people of Japan, in defense of their *de facto* interests in Manchuria as a whole, have asserted the principle of "Japan's special position in Manchuria." In the assertion of this principle, Baron Shidehara at the Washington Conference based his argument on the doctrine of "accomplished fact." Although his argument had a strong historical background and was in harmony with popular sentiment in Japan, it did not clarify the "special" aspects of Japan's position, nor could it obtain satisfactory legal recognition from the other powers. It is quite clear, however, that Japan asserts this principle with the purpose of defending, and demanding international legal recognition of, her present position in Manchuria as a whole, including her *de facto* interests which originated in treaty or contractual rights. Her argument, indeed, leaves no ambiquity in its explanation of her actual policy toward Manchuria, though it is very doubtful if it ever gets an international legal or political recognition that will be satisfactory in her own eyes.

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It is quite natural that since the Washington Conference no international agreement has been reached as to the meaning of the "speciality" or her position in Manchuria. Working out the legal *Begrundung* of her "special position" as a whole, is in fact a very difficult task. On the other hand, if Japan ceases to maintain her position in its entirety, the only recourse left to her is to break up her so-called "special position" into its constituent elements, legalize these where possible, and then secure legal recognition for them one by one. But here too the way is not so easy, because among these rights and interests there are some which can not be dealt with fairly in the spirit of formal legalism.

So far as the political rights, and the interests that have originated in those rights, are concerned, many of them are not shared by other powers, but are owned exclusively by Japan. If these are found to have special political significance to Japan, it may be possible to establish a kind of "speciality" that is peculiarly the concern of Japan, though this will always be subject to current international interpretation. The *de facto* interests which are not covered by any treaty right or contract, cannot of course be satisfactorily interpreted by international judicial organization. This is the sole reason why Japan has been reluctant, up to the present, to refer her case to judicial settelment, and has chosen rather to defend her position as a whole by an appeal to the doctrine of accomplished fact. She feels that by referring the problem to legalism, she will be jeopardizing her vital *de facto* interests. On the other hand, if she rests her whole position in Manchuria solely upon its *pe facto* character, then it becomes rather uncertain from the standpoint of international recognition and treatment. The circumstances conspire to place Japan in a delemma so far as the Manchurian problem is concerned.

It is clear that this delemma is caused by the international character of the Manchurian question. Japan's position in Manchuria is no longer her own problem; it is an international problem and therefore requires international understanding and settlement. No one can ignore the vital and still growing in-

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terests of Japan in Manchuria. Nevertheless, it is true that her position and the arguments she has presented in its defence have resulted in a sort of international political deadlock. The only way out would seem to lie in a reconsideration of her assertion of a "special position," and the discovery, if possible, of other means whereby to safeguard her substantial interests in Manchuria. The development of international guarantees and security, growing out of mutual understanding between the nations concerned, seems to the writer to offer the best means of solution. This, however, is a subjejci of national and international policy which it is beyond the scope of this paper to discuss.

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